France	FFr7.00	Lux	LFr50	Sweden	SKr10
Germany	DM2.30	Malaysia	Rin4.25	Switz	SFr2.40
Greece	Dr150	Morocco	Dh8.60	Thailand	Bt50
Hong Kong	HK$12	Neth	Fl3.00	Tunisia	Din0.850
Iceland	Ikr125	Nigeria	Naira10	Turkey	L1200
India	Rup15	Norway	Nkr10.00	UAE	Dh7.00

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

No.30,939 Wednesday September 6 1989 D 8523A

BRAZIL
Sowing the seeds of destruction
Page 4

World News

Solidarity to control economy in new Cabinet

Poland nearly completed formation of a new coalition government with the Communists looking set to play a secondary role.

Prime Minister Tadeusz Mazowiecki hopes to present on Thursday a proposal that leaves responsibility for the country's economic problems with Solidarity. Page 20

Dutch go to polls

Dutch voters elect a new leader in polls today after a campaign dominated by personalities as much as issues. Page 20

Colombian killed

The wife of an army colonel was shot dead by unidentified attackers in northern Bogota as suspected drug traffickers exploded bombs in Medellin.

UK Kremlin visit

British Prime Minister Margaret Thatcher will stop over in Moscow on September 23 for talks with Soviet leader Mikhail Gorbachev on her way home from Tokyo. Page 2

Environment fund

India's Prime Minister Rajiv Gandhi proposed creating an $18bn a year environment fund, highlighting growing concern at the Non-Aligned Summit in Belgrade over pollution. Page 4

US drug policy

President Bush put final touches to his $7.8bn plan to curb drug abuse in the US, to be unveiled late yesterday in a national televised address.

Vietnam invites UN

Vietnam asked UN Secretary General Javier Perez de Cuellar to witness its September 21-26 troop withdrawal from Cambodia.

Hong Kong cholera

Hong Kong said another three Vietnamese boat people had caught cholera on Tai A Chau island, bringing the number of cases to 21.

Mine closes again

Bougainville copper mine closed when snipers fired on miners' buses hours after the Papua New Guinea mine reopened ending a four-month shut-down caused by rebel attacks.

Record drugs haul

Hong Kong police seized $420m worth of almost pure heroin and arrested four people in a record drugs haul.

Soviet deficit

The Soviet Government will try to halve the country's budget deficit next year from Rbs120bn ($186bn) through bond issues and monetary measures, the new Soviet Finance Minister said. Page 2

New Afghan attack

Afghan troops launched a new offensive in the hills around Kabul to try to clear rebel rocket nests.

Chilean leader shot

The spokesman for a far-left party in Chile was shot dead in a Santiago street in the first killing of an opposition leader for over a decade.

Parisian crime wave

A computer error accused 41,000 Parisians of murder, extortion and organised prostitution instead of fining them for traffic violations. The city has sent out 41,000 apologies.

Business Summary

Unctad hits at reforms applied in LDCs

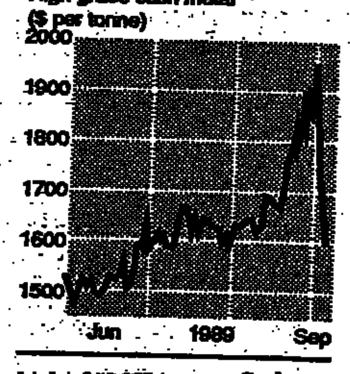
UNCTAD, the UN body focusing on economic interests of the Third World, attacked the effect of structural adjustment programmes undertaken by the world's poorest countries with the IMF and the World Bank.

The Secretary-General's report said that adjustment too often focused on demand restraint, leaving already poor economies operating at even lower output levels and that currency devaluation appeared to do little to stimulate exports. Page 20

ZINC prices continued sharply downwards on the LME following Monday's rise in LME warehouse stocks to a five-year

Zinc

High grade cash metal ($ per tonne)



high of 58,275 tonnes. Cash closed at $1,595 per tonne, down $150 on Monday's close. Commodities Page 44

GRAND Metropolitan, sold its Mecca and William Hill betting shops to Brent Walker, the fast growing leisure and property group, in a cash deal worth about £685m ($1.061bn). Page 21

SWISS Life, largest Swiss life insurance company, is to acquire Pioneer Mutual Insurance of Liverpool, England, in a deal which highlights the continuing shake-out in the European insurance market. Page 21

CRA, Australian resources group 47 per cent owned by RTZ Corp of the UK, boosted interim profits 37 per cent above last year's figure to A$311.9m ($239m). Page 21

JAPANESE banks: Japan's Tax Bureau ordered four large banks to pay additional tax on profits transferred to loss-making foreign operations in an attempt to disguise the extent of losses made around the October 1987 stock market crash. Page 26

BENETTON, Italian cloth manufacturer, will enter the US and Canadian markets with shoes bearing its label following creation of a joint venture with Marubeni of Japan and Sports Incorporated of the US. Page 22

SEDGWICK Group, largest insurance broker in Europe, matched optimistic City forecasts when it announced half year six month pre-tax profits to June up 5 per cent at £64.6m ($100.4). Page 21; Lex Page 20

OCCIDENTAL Petroleum, diversified US energy group, is to restructure its domestic oil and gas operations to improve efficiency and performance. Page 22

HEINZ, US foods group, reported a further rise in fiscal first quarter profits, up 15 per cent at $126m, and sales up 5.3 per cent at $1.45bn. Page 22

BOUYGUES: Francis Bouygues is stepping down from the chairmanship of the French company he founded 37 years ago and built into one of the world's largest construction and civil engineering groups. Page 23

TRADEGRO, South African retail and wholesale group, lifted pre-tax profit 36.5 per cent to R179m ($64.8m) and sales by 17.2 per cent to R7.2bn in the year to June. Page 22

Dollar rises despite concerted central bank intervention

By Simon Holberton, Economics Staff, in London

THE DOLLAR defied a concerted round of central bank intervention yesterday and rose to finish in Europe at two-month highs against both the D-Mark and the yen.

The US currency's strength appears to reflect a general reassessment of the the prospects for the US economy, which has prompted the belief that US monetary policy will remain firm.

Analysts now believe the US economy is set for a period of solid growth with the possibility of a declining inflation rate, making US stock and bonds attractive to investors.

The strength of the dollar, however, seems certain to provide an unhelpful backdrop to meetings of economic policy-makers from the Group of Seven leading industrialised countries planned for the end of this month in Washington.

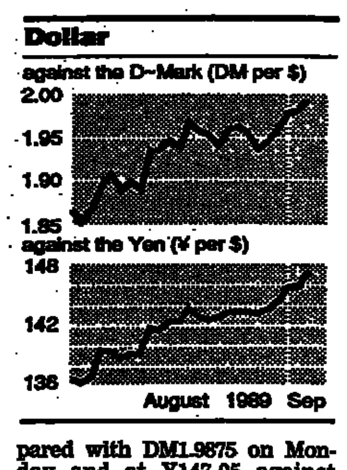
The currency's resurgence also puts pressure on the council of the Bundesbank, the West German central bank, which meets tomorrow to review its credit policy.

The dollar has been appreciating gradually since the beginning of August but gathered momentum yesterday.

A rise to just below the DM1.99 level provoked 12 central banks, including the US Federal Reserve, the Bundesbank and the Bank of England, to sell dollars in the open market. The Bank of Japan was reported to have sold close to $1bn earlier in the day.

The central banks' foray into currency markets appeared, however, to be abortive. The dollar closed at DM1.9910 compared with DM1.9875 on Monday and at Y147.05 against Y145.9 previously.

Dollar



Explaining the strength of the US currency, Mr George Magnus, international economist at Warburg Securities, said: "It is a general love affair with the dollar; there has been a reappraisal of the US and a feeling that everything is alright."

Currency trading in early September often sets the tone on the market for the rest of the year and central banks are determined that currency markets should not take the view that they are indifferent to the dollar. Nevertheless, a fair measure of doubt exists in the market as to the real depth of G7 co-operation.

Mr Paul Chertkow, international economist at Drexel Burnham Lambert, said the markets had been impressed by the way Mr Alan Greenspan, the Fed chairman, had been managing US monetary policy. This has cooled economic growth sufficiently but left growth of output intact.

The resurgence in the dollar has focused interest on tomorrow's Bundesbank council meeting. Although few analysts in financial markets believe the West German central bank will increase its main interest rates, there is a general expectation of an increase in West German interest rates later in the year.

European central bankers believe tomorrow's meeting provides the best opportunity for the Bundesbank to move before the Washington meetings of the policy-making interim committee of the International Monetary Fund and G7 later this month.

The Bundesbank appears sanguine about the short-term outlook for inflation but has longer term concerns about price stability given the rapid rate of expansion of the West German economy, which is above its potential for non-inflationary growth.

Its action in raising the discount and Lombard rates to 5 and 7 per cent respectively in June was a pre-emptive move.

The dollar was also benefiting from the political difficulties of the Japanese Government and, according to one official, the political ferment in the Baltic states.

Sterling came under pressure in currency markets, falling against both the dollar and the D-Mark. It lost 0.5 points on the Bank of England's trade-weighted sterling index to close at 90.7.

W German growth rises to 4.9%

By Andrew Fisher in Frankfurt

WEST GERMANY'S economy grew at the unexpectedly high rate of 4.9 per cent in the second quarter of 1989, buoyed by sharp increases in exports, industrial investment and rising income from the country's high foreign investments.

For the whole of the first half of the year, the gross national product rose by 4.6 per cent in real terms.

Mr Helmut Haussmann, the Economics Minister, said the figures confirmed that West Germany was now in an economic boom and this year had a good chance of achieving its highest growth rate of the 1980s.

The Federal Statistics Office said the last time that year-on-year quarterly growth reached 4.9 per cent was in the first quarter of 1980.

Yesterday's figures bear out last week's statement by Mr Karl Otto Pöhl, president of the Bundesbank, who said that based on the strong performance in the first six months, growth of at least 4 per cent was likely for 1989.

The last time an annual 4 per cent was reached was in 1976; last year's rate was 3.4 per cent, the highest so far this decade. Mr Haussmann noted that more jobs were being created in the present economic upswing, while prices were rising only slightly. Official figures yesterday showed a further drop in the unemployment rate in August to 7.5 per cent, or 1.94m people, from 7.7 per cent in July and 8.4 per cent a year ago.

The statistics office said the main growth impulses in the second quarter again came from foreign demand and industrial investment. In con-

Continued on Page 20

BNL shares frozen on Milan SE after export credit probe

By Alan Friedman in Milan

ITALIAN stock exchange regulators yesterday ordered a halt to trading on the Milan bourse in the shares of Banca Nazionale del Lavoro (BNL), Italy's biggest state bank, amid widening concern over the unauthorised disbursement of $1.5bn in Iraqi export credits by the bank's branch in Atlanta, Georgia.

BNL has been at the centre of an international investigation since last month when the US Federal Bureau of Investigation tipped off the US Federal Reserve that there were irregularities at the bank's Atlanta branch.

Some $1.5bn of unauthorised loans have been dispensed by the branch over the past couple of years to US and European companies exporting to Iraq. The loans neither had the required authorisation from BNL's New York office nor were they reported to the Georgia state banking authorities.

Last night, amid growing expectations of imminent changes at the bank, Mr Nerio Nesi, the chairman, and Mr Carlo Azeglio Ciampi, Governor of the Bank of Italy, went to the Prime Minister's office in Rome for a meeting with Mr Claudio Martelli, the deputy premier, and a senior aide to Prime Minister Giulio Andreotti.

Earlier in the day Mr Nesi had met Mr Renato Ruggiero, Italy's Foreign Trade Minister.

BNL meanwhile announced the convening of an extraordinary meeting of its board of directors for tomorrow.

In Rome the bank said that BNL's Italian executives were unaware of the disbursement of the Iraqi export loans from Atlanta.

Last night the chairman of a publicly quoted Italian company said that an application lodged last February with BNL's branches in the north-eastern city of Udine and in Rome for the confirmation of a letter of credit issued by the Iraqi central bank was confirmed by BNL's Atlanta branch.

Mrs Cecilia Danieli, chairman of Danieli, a leading Italian maker of steel mini-mills, said that BNL's Atlanta branch confirmed an Iraqi letter of credit of about L100bn ($70m) that was issued in connection with the "perfectly normal" export to Iraq of equipment for a steel mill.

In Washington Mr Jim Lit-

Continued on Page 20

Suez secures Victoire with FFr27.4bn bid

By George Graham in Paris

COMPAGNIE Financiere de Suez, the French financial conglomerate, yesterday pulled off the second big coup in the two years since it was privatised by winning France's largest-ever takeover battle for control of the insurance concern Groupe Victoire.

The FFr27.4bn ($4.1bn) takeover of Groupe Victoire and Compagnie Industrielle, its controlling company, will provide Suez with insurance as a fourth major area of operations and open the way to an extensive realignment of the European insurance industry.

Having moved into private ownership on the eve of the October 1987 stock market crash, Suez grabbed the headlines last year when, after a protracted battle with Mr Carlo De Benedetti, the Italian financier, it won control of Société Générale de Belgique, the largest Belgian company.

This will ensure that Suez, which already owned 18 per cent of Compagnie Industrielle, will win this bid triggering a parallel offer of FFr2,276 for every Victoire share.

The 40 per cent stake held by Compagnie Industrielle in Victoire and the 30 per cent which Suez owns directly will assure the financial conglomerate control of the insurance company.

Along with Groupe Victoire, Suez will gain control of three major West German insurance companies.

Suez decided to launch its bid after disagreeing with Mr Vernes on how to finance the acquisition of the Colonia, Nordstern and Kölnische Rückversicherung insurance subsidiaries of Sal. Oppenheim, the West German private bank. Groupe Victoire will become France's largest private sector insurer and one of the largest in Europe on completion of the FFr12bn deal.

Mr Vernes said yesterday that he did not feel that he had been defeated, but believed that it was time to end the battle over Compagnie Industrielle and Victoire.

Paris bankers said it appeared clear that Baron Oppenheim, head of Sal. Oppenheim, had put pressure on Mr Vernes to end the conflict, which had more recently turned sour.

Mr Vernes acknowledged yesterday that Baron Oppenheim had "with a great simplicity and dignity let us know

Mr Jean-Marc Vernes

that this Franco-French battle was not to the taste of the German authorities, German public opinion or, especially, the management of Colonia."

By following the La Générale takeover with its Victoire purchase Suez has moved a step further in its ambition to exert direct mastery over its principal holdings.

Last year, it was the winner of a protracted battle with Mr Carlo De Benedetti, the Italian financier, for control of Société Générale de Belgique, the largest Belgian company. By taking control of Victoire it has moved a step further in its ambition to exert direct mastery over its principal holdings.

After the nationalisation of the Suez canal 1956, Suez had originally developed a group focused on investment banking, with substantial property interests and with a portfolio of minority stakes in industrial and service companies.

With the acquisition of La Générale, Suez became for the first time an industrial operator, and with Victoire it will add a fourth major division – insurance.

Yesterday's bid represents an increase of 13.8 per cent from Suez's initial bid of FFr13,000 per share for Compagnie Industrielle.

The improved offer for the parent holding company will entail an identical increase in the parallel offer for Victoire to FFr2,276 for each share and FFr1,138 for each non-voting certificate of investment and could cost Suez up to FFr3.27bn more.

Suez was the largest investor in Victoire with a consolidated interest of 42 per cent.

Markets, second section

Strike by South African blacks less widespread than expected

By Patti Waldmeir in Johannesburg

MORE THAN 100,000 black workers went on strike yesterday in South Africa to protest at today's general elections, from which blacks are excluded.

Backing for the strike was less widespread than expected, however. The authoritative Labour Monitoring Group, made up of university academics, said only 39 per cent of workers stayed away in the area of Transvaal where most industry is concentrated.

Police used whips and dogs against a march by about 500 white students and black workers at the University of Stellenbosch, the foremost Afrikaaner university in the country.

Most protest to date has involved English-speaking whites. Yesterday's incident demonstrated how Afrikaner youth has become increasingly radical.

In the eastern Cape, traditionally a militant area, researchers reported a 100 per cent stay-away from work. The country's main motor vehicle assembly plants in Port Elizabeth were silent. In Durban, a 65 per cent stay-away was reported and in the western Cape figures varied from 24 to 40 per cent.

Nationwide, some 10 per cent of mineworkers, or about 70,000 employees, are understood to have stayed away. Large numbers of schoolchildren throughout the country did not attend classes.

The mixed support appears to have been the result of lack of organisation by the two black labour federations which promoted it as part of a month-long defiance campaign to protest at today's poll.

A three-day stay-away last year, called to protest at harsh labour laws, was backed by up to 2.5m.

The two union federations – the Congress of South African Trade Unions (Cosatu) and the National Council of Trade Unions (Nactu) – disagreed over the dates and duration of the strike. This may have led to confusion among workers.

Organisation was further hampered by South Africa's emergency regulations, which make it illegal publicly to call for political strikes or boycotts.

Union leaders said they expected a higher turnout today, which is polling day for whites, Indians and "coloureds".

The most important contest is for 166 seats in the white House of Assembly. Some 3m white voters will elect representatives to this house, which holds effective parliamentary power in South Africa.

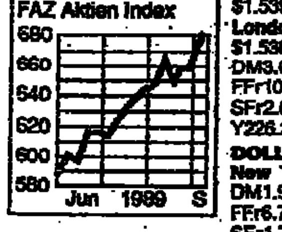
Three million coloureds and nearly 1m Indians will vote for their own segregated parliaments, the House of Representatives and the House of Delegates.

The election could turn out to be the closest in 41 years of National Party rule, with the party seeing its majority substantially reduced. A hung parliament was still considered possible last night, although it was not thought likely.

De Klerk squeezed, Page 18

MARKETS

W. Germany
FAZ Aktien Index



INTEREST RATES
US lunchtime
Federal Funds $8\frac{7}{8}$% ($8\frac{15}{16}$)
3-mth Treasury Bills: yield: 8.132% (8.09)
Long Bond: $99\frac{3}{4}$ (100)
yield: 8.141% (8.12)
London
3-month interbank close $14\frac{1}{32}$ ($13\frac{31}{32}$)

STERLING
New York lunchtime
$1.539 (1.5575)
London:
$1.5380 (1.5540)
DM3.0625 (3.0750)
FFr10.3250 (10.3700)
SFr2.6425 (2.6575)
Y226.25 (226.75)

DOLLAR
New York lunchtime
DM1.98865 (1.9775)
FFr6.7035 (6.668)
SFr1.716 (1.707)
Y141.915 (145.7)
London:
DM1.9910 (1.9785)
FFr6.7125 (6.6725)
SFr1.7180 (1.7095)
Y147.05 (145.90)

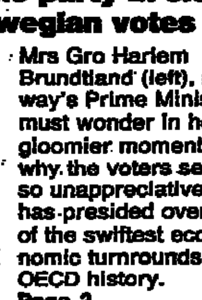
GOLD
New York latest
Comex Dec
$385.4 (388.1)

STOCK INDICES
New York lunchtime
Dow Jones Ind. Av.
2,748.67 (-3.42)
S&P Comp
353.62 (-0.11)
London:
FT-SE 100
2,426.0 (+6.8)
World:
151.26 (Mon)
Tokyo
Nikkei Ave
34,441.95 (-41.63)
Frankfurt
Commerzbank
2,036.9 (+20.4)

OIL
Brent 15-day (Argus)
$17.50 (+0.075) (Sept)
West Tex Crude
$19.075 (+0.20) (Oct)

CONTENTS

Time waits for no party in close contest for Norwegian votes



Mrs Gro Harlem Brundtland (left), Norway's Prime Minister, must wonder in her gloomier moments why the voters seem so unappreciative. She has presided over one of the swiftest economic turnrounds in OECD history. Page 2

EUROPEAN NEWS

Bonn to set conditions on MBB takeover

By David Marsh in Bonn

MEASURES to increase the involvement of small companies in the aerospace industry are expected to be proposed by Mr Helmut Haussmann, the West German Economics Minister, on Friday when he gives the go-ahead to the planned Daimler-Benz armaments merger.

Mr Haussmann is thought certain to announce that he will allow motor vehicle and engineering group Daimler to take over Messerschmitt-Bölkow-Blohm (MBB), West Germany's biggest aerospace group. The deal, a subject of heated controversy for more than a year, will create one of the world's largest and most diversified defence technology concerns.

Mr Haussmann, who has called a press conference for

Friday morning, is expected to argue grounds of overriding economic interest in rejecting the Federal Cartel Office's veto against the Daimler-MBB deal.

Mr Haussmann hinted yesterday that the conditions which the Economics Ministry will attach to the takeover could improve the position of West Germany's plethora of small and medium-sized companies. This is an industrial sector which Mr Haussmann's Free Democratic Party is pledged to support.

The Daimler-MBB merger has been criticised both by the Cartel Office and by the Monopolies Commission – whose chairman resigned last month over the row – for building up an arms-and-aerospace conglomerate which will distort competition.

However, Mr Haussmann is expected to state that there is no alternative to the takeover to strengthen West Germany's participation in the Airbus airliner venture and boost the country's prowess in high-tech defence markets.

Mr Haussmann is likely to impose conditions which assuage public hostility to the deal without making it fundamentally unpalatable for Daimler. Bonn officials say that Mr Haussmann will try to offset the unfavourable impact on public opinion of the Daimler-MBB transaction by at the same time safeguarding the position of smaller companies in the aircraft sector.

This could be accomplished through increased efforts by Daimler to subcontract defence and aerospace work.

The Economics Ministry yesterday insisted that the conditions would be more than mere "optics". But some officials have no hesitation in saying that the strictures to be announced by Mr Haussmann will be essentially cosmetic.

Both Daimler and MBB have take an uncompromising public line in recent months rejecting any breaking up of MBB's military and civilian operations.

Hungary 'split' over refugee crisis

By David Marsh in Bonn and Leslie Colitt in Leipzig

SPECULATION mounted yesterday in Bonn of a split in the Budapest Government over releasing thousands of East German refugees camped out in Hungary, as prospects receded of an early exodus for the fugitives from Communism.

Bonn officials believe that the Hungarian leadership is dampening expectations of a quick exit for the East Germans in order not to exacerbate the worsening climate with East Berlin.

Mr Istvan Horvath, the Hungarian Interior Minister, has created considerable uncertainty by saying in an interview with the West German magazine Stern that weeks could elapse before the refugees will be allowed to leave for the West.

Bonn officials point out that Mr Horvath is counted as a relative hard-liner within the Hungarian Government, and that his remarks may have been calculated above all to appease East Berlin.

Mr Gyula Horn, the Foreign Minister, who is handling negotiations with both Bonn and East Berlin over the affair, is seen as much more reform-minded.

Faced with a difficult decision over whether to give priority to strengthening ties with Bonn or to protecting its old-established relations with East Berlin, Hungary is trying not to deliver too stern an affront to its Warsaw Pact partner, Bonn officials believe.

East Germans, meanwhile, said a last-minute appeal by their leadership to woo back thousands of citizens had come too late and would fall on deaf ears.

"The Government has no more credibility among those who want to escape or among us," said a school teacher in Leipzig, East Germany's second-largest city.

Although she was of retirement age, the school director had asked her to take on the work of teachers who had gone to Hungary on holiday and failed to return.

"One does one's duty," she said, echoing a sentiment mainly heard from older East Germans. She and her husband have no desire to leave Leipzig but she says she understands why younger East Germans who have "nothing to lose" are fleeing.

"Supplies of food and consumer goods have not been as bad for decades," she said.

Yesterday's official appeal on the front page of Neues Deutschland, the party newspaper, was aimed directly at the thousands of citizens in Hungary who were planning an illegal border crossing to reach West Germany.

If they returned, the statement said, they would not face any recriminations and would be able to work as before. Once home, they would be able to apply to emigrate to the West, a step referred to as "applying for permanent departure."

"They were entitled to all the rights of appeal under the decree of last November 30 which were available to other citizens. Lawyers had been instructed to represent them in court and, in cases involving the state organisations, they were to be given a maximum of official support.

East Germany, the statement noted in brittle bureaucratic German, called on the "other states" involved to inform East Germans of these measures and to "encourage them voluntarily" to leave the diplomatic missions – more than 300 East Germans were in the West German missions in East Berlin and Prague hoping to gain passage to the West – and "places of residence", a reference to the camps bursting with East Germans in Hungary.

Remaining there would bring them no advantages and was not a "way to achieve permanent departure from the German Democratic Republic," the appeal said.

All attempts by "certain circles" (in West Germany) to interfere with relations between East Germany and Hungary were "built on sand" it concluded.

Several hundred East Germans demonstrated on Monday evening outside the Nikolai Church in Leipzig for the right to leave their country.

They had attended a special service for would-be emigrants held each Monday in the church. Hundreds of policemen and plain-clothes security officials sealed off the square – lined with onlookers – in front of the church.

Many of the watchers said they sympathised with the demonstrators while they themselves did not wish to leave – yet. The crowd chanted slogans including "we want to leave" and "we want a new government."

Signs calling for political reforms were ripped out of their hands and several demonstrators were taken into custody. "We all want reforms and a change [in the leadership]," one young engineer said watching the clash. "But we cannot all leave can we?"

Relief workers in Passau prepare beds for E German refugees

Belgium warned to cut deficit

By David Buchan in Brussels

BELGIUM must act more boldly to reduce its budget deficit in order not to jeopardise recent successes in achieving non-inflationary growth, says the Organisation for Economic Co-operation and Development in its latest report on the country's economy.

If Belgium's regions, which now control 40 per cent of all public spending, were to join the central government in observing strict fiscal discipline, they could halt the steady rise in public debt and borrowing by perhaps as early as next year, the OECD says.

But such discipline would have to continue for several more years to reduce the public debt to reasonable proportions, the report warns. Last year, total net public debt amounted to 125 per cent of gross domestic product, the second highest ratio among OECD countries.

Despite its plan to hold current spending next year at this year's level, Mr Wilfried Martens' Government is forecasting a BFr70bn (£1.09bn) rise in debt servicing next year because of the snowball effect of piling interest charges.

The OECD deplores the fact that, for Belgium, "1988 was a year of lost opportunities," mainly because it had no Government for the first four months of that year. The lost opportunity lay in the failure of the Martens Government formed in May 1988, to use the surprisingly robust and sound growth in the economy (4.2 per cent growth and 1.2 per cent inflation) to make any sizeable dent in the budget deficit.

Growth has slowed somewhat this year, while the rate of price increases has risen, but the OECD still sees the short-term outlook for the Belgian economy as satisfactory.

The current boom in the steel industry has helped account for the fact that, for the first time in many years, the southern French-speaking Walloon part of the country, together with Brussels, grew at a faster rate than Flanders in the north.

The recovery in steel has also been an important crutch for Luxembourg, whose economy in a monetary and payments union with Belgium is also covered by today's OECD report. Production of steel, which rather surprisingly still accounts for 7 per cent of jobs in the duchy, rose 11 per cent there last year.

But, with Luxembourg's future increasingly tied to the performance of its outsize financial sector, the OECD report stresses the likelihood that the duchy will have to adjust its taxes to those of its EC neighbours.

At present, Luxembourg does not tax investment or interest income of non-residents, and has so far stoutly resisted any suggestions by Brussels that it should start doing so when most capital controls in the Community vanish next year.

However, the OECD believes that it could still remain competitive with other financial centres, because of its specialisation in Euro-issues which are likely to remain free of any EC withholding tax plan.

Belgium and Luxembourg. OECD Economic Surveys. 2, rue Andre Pascal. 75775 Paris Cedex 16, France.

Moscow set for Thatcher visit

By Philip Stephens in London

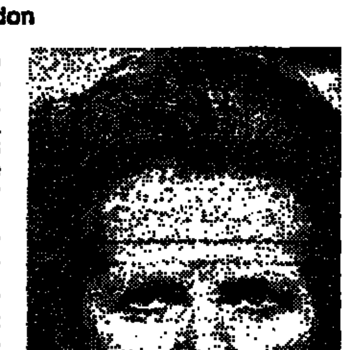
MRS Margaret Thatcher is to hold talks with Soviet President Mikhail Gorbachev in Moscow later this month and signs that Britain's relations with the Soviet Union have recovered after a diplomatic row over alleged spying.

The visit will follow Mrs Thatcher's visit to Japan from September 18 to September 22. Downing Street said yesterday that the talks, likely to last several hours, would be "substantive" and would cover a range of issues of interest to both sides.

Mrs Thatcher, who has struck up a rapport with Mr Gorbachev since their first meeting in 1984, last met the Soviet President during his visit to London in April.

The warmth at that meeting, however, was quickly soured by the expulsion by Britain of 11 Soviet diplomats and journalists for alleged spying activities. Moscow responded with a similar set of expulsions.

Mrs Thatcher's firm stance within Nato during the summer on the need for the West to retain short-range nuclear weapons if agreement is reached to reduce conventional arms on both sides also left her at odds with Mr Gorbachev.



Thatcher: firm stance

Both the spying and arms negotiations are expected to be on the agenda in Moscow. The talks on conventional weapons reopen in Vienna later this week, and US/Soviet negotiations on strategic nuclear weapons start again on September 25.

British officials yesterday suggested that Soviet agreement that Mrs Thatcher should stop off in Moscow underlined the strength of the two leaders' relationship.

Mrs Thatcher is due to pay a formal visit to the Soviet Union in mid-1990, but the officials said that this month's talks would allow updating on the progress in arms control talks and the rapid pace of political change in both the Soviet Union and in Eastern Europe – particularly Poland.

Mrs Thatcher will seek Mr Gorbachev's assessment to the potential threat to his policies of perestroika and glasnost from nationalist movements within the Soviet Union and from the country's stark economic problems.

Parallels of politics and crime

By John Wyles in Rome

THE MURDER at the end of last month of Mr Lodovico Ligato, once a powerful Christian leader in Calabria and until a year ago president of the Italian Railways, is prompting analysts of the nation's fight against organised crime to suggest that the germs of the present conflict in Colombia are now present in the south of Italy.

Several parallels are being drawn: the impunity with which organised criminals in both Colombia and the Italian regions of Campania, Calabria and Sicily can execute their victims, the inadequate resources of the law enforcement agencies to deal with the problem and the control over many politicians, bureaucrats and policemen which is exercised by organised crime.

As with most of the other 400 odd murders which have gone unsolved in Calabria over the past couple of years, magistrates admit that they have few clues as to who pumped 34 bullets into Ligato early on August 27, or why. But in seeking motives, they are examining his business dealings both before, during and after his brief 2½ year sojourn at the head of the Ferrovie dello Stato (FS).

The general assumption is that the death sentence was imposed by the *n'Drangheta* – the Calabrian *mafia*. The Italian media has needed no encouragement to sieze on a central idea that Ligato's death was somehow born of the mafia's desire to mop up the billions of lire's worth of public spending in Calabria through the companies it owns and the politicians it controls.

He resigned as president of the FS last November after ascandal over the placing of a contract for paper bedsheets.

According to Professor Franco Cazzola, a counsellor in Catania and a student of links between politics and crime, the strength of public reaction to the emergence of a criminal state within a state remains Italy's strongest defence against the Colombian virus. Nonetheless, the public still lacks the power to force out truths about links between politics and crime in Italy.

Ankara court orders halt to steel strike

By Jim Bodgener in Ankara

THE long-running strike by 20,000 steelworkers in Turkey was ordered to a halt last night by an Ankara court using Turkey's restrictive labour legislation dating from the period of military rule in 1980-83.

The court called an end to the stoppage on the grounds of public order and well-being, after an application by the Turkish Metalworks Employers' Union (Mess).

More than 20,000 men at the state-owned Karabuk and Iskenderun iron and steel complexes had been on strike for 125 days, demanding a monthly wage increase to TL500,000 ($225) from TL140,000. Inflation over 12 months to the end of August was about 74.7 per cent.

The men had held out long after other public sector unions in the main trades union confederation, Turk-Is, had settled back in May following a backdown by the unpopular government of Prime Minister Turgut Ozal faced with rising labour discontent.

The steelworkers' union, Celik-Is, is not affiliated with Turk-Is, but last week the latter threatened to stage demonstrations by its 1.8m members in solidarity.

Turkey's steel output has been severely hit by the strike, and the Government has been forced to import steel at some expense. Production losses at the two complexes by the third week in August were reported to be TL866bn ($430m).

This is claimed to be the costliest strike in terms of days lost since the early 1980s. Furthermore, factory stocks were already depleted before the strike because of previous go-slows, said officials.

Article 48 of the law on strikes and lock-outs provides that the employer, union or labour minister may apply to the court to stop a strike on the grounds of public order or interest.

However, last week Mr Cemil Cicek, the State Minister appointed by Mr Ozal to handle the steel dispute, reportedly said it was plain that Mess and Celik-Is could not reach a solution by themselves. His proposal for a special commission, although accepted by Mess, was turned down by Celik-Is.

Moscow will try to halve budget deficit next year

By James Blitz in Moscow

THE SOVIET Government will try to halve the country's budget deficit next year from Rbs120bn (£120bn) through a mixture of bond issues and monetary measures, according to Mr Valentin Pavlov, the new Soviet Finance Minister.

In an interview with Soviet journalists published yesterday in Trud, the Soviet trade union daily, Mr Pavlov said that to help reduce the deficit the Government would next year issue bonds to Soviet enterprises and organisations on a voluntary basis. "The conditions of the issue will be favourable and that the bonds will bear 5 per cent interest," he said.

The Government would also issue "special purpose bonds" to private individuals. These would bear no interest, but "will be repaid by the state in 1993 in the form of durable goods, such as cars, fridges and washing machines."

At the same time, Mr Pavlov claimed that the Government was planning next year to reduce by about Rbs10bn the annual level at which paper money was printed — or half the current level.

"Apart from these measures," Trud reported, "many more bonds and shares will be issued. In other words, a securities market will have to be set up."

It remains unclear, however, whether all these measures are of sufficient magnitude to reduce the country's enormous budget deficit by as much as half. In an interview with the Financial Times last month, Mr Pavlov said that next year's pensions and child allowances alone would increase state spending by around Rbs45bn.

Moscow's bureaucrats give Turks a borderline reception

By Jim Bodgener in Sarp

THE TURKISH-SOVIET border crossing at Sarp in a verdant hollow on the Eastern Black Sea coast was hardly a hive of activity on the anniversary of its reopening last week. The much vaunted move symbolised a warming in Soviet-Turkish relations, 40 years after Stalin shut the crossing.

The freshly painted, green Soviet watchtower faces its drab, grey Turkish opposite across the border gate. A spanking new customs house and immigration hall were almost empty last weekend. The buildings on the opposite side appeared chiefly to be made of corrugated iron.

Turkish customs officials, just 12 of them, busily processed a dance troupe from the Turkic Soviet republic of Azerbaijan, on their way back from a cultural festival in Avanos, Cappadocia in central Anatolia. During the past four years, Turkish-Soviet trade has rapidly expanded on the back of a gas import deal and is expected to reach $1bn in 1989. In the past three months, just two or three large international trucks have trundled through the border and the rough roads on either side, carrying chemicals and paint for the north-west Anatolian city of Bursa.

Most crossings, about 60 per cent, have been by relatives from families divided by the border's closure in 1938, visiting each other for the first time through Sarp. Previously, they had faced an arduous trek to the south through Erzerum, Kars, and Dogukapi (East Gate), where a train crosses only twice a week along the railway line where the Soviet spy Kim Philby disappeared into the nether distance.

However, those going to the Soviet Union said obtaining a visa was as difficult as ever, compared with the easing in Turkish formalities. Turkish visas are valid for three months, but those from the Soviet Union are graded in two-week, one- and three-month terms, depending on circumstances. Turks still have to travel to Soviet diplomatic missions in Ankara and Istanbul for their visas.

A teenage niece was being seen off by anxious and tearful parents to see a grand aunt for the first time in Batum. "It's taken two years for her visa to come through," said her indignant father.

Glasnost still had some way to percolate down to the border, according to Turkish officials, who said they were virtually snubbed by their Soviet counterparts, while offering every co-operation in return. On the Soviet side, they said, a restricted buffer zone ran 20 km up the road to Batum. For Turks, however, Sarp has become something of a local tourist sight, and Turkish holidaymakers swim from black shingle beaches in the next cove. Two buses full of tourists, mainly Turkish, also go through to Batum every week, while the tourist agency, Intourist, arranges visas to Turkey for Soviet Turkophiles through Sarp.

An Azeri tourist travelling with the folk-dance-troupe, an academic studying Turkish economics at the Academy of Sciences in Baku, said perestroika had not made much headway against the bureaucracy as yet. But neither did he praise the economic policies of the Turkish Premier, Mr Turgut Ozal, which he said were unbalanced and oppressing the workers. On the whole, he found the citizens of Avanos in Turkey poorer than Baku's inhabitants, he added. But all the Turks he met were very interested in establishing a rapport with their Turkic racial cousins in Azerbaijan.

As if to emphasise this, the troupe's band struck up on accordian and drum. An ardent Turkish official finally persuaded sultry Azeri dancers onto the customs house floor. To hand-clapping and much snapping of fingers, they pirouetted round each other and piles of luggage. At least for Turkic hands across the Caspian, the border's opening may have unleashed more than Moscow or Ankara ever bargained for.

Time waits for no party in Norway's closely fought election

Robert Taylor in Oslo assesses the chances of a Labour government working against the clock to prove its achievements

AS SHE trudges around Norway during the final days of the general election campaign, Mrs Gro Harlem Brundtland, the country's premier, must be wondering in her gloomier moments why the voters seem to be so unappreciative.

Her minority Labour Government came to power in May 1986 when the non-socialist coalition fell to pieces in the midst of the worst economic crisis Norway had experienced since the 1930s.

Without an overall majority in parliament, she has presided over one of the swiftest economic turnarounds in the history of the Organisation for Economic Co-operation and Development, turning a balance of payments deficit of NKr40bn (£3.57bn), which was 8 per cent of Norway's gross domestic product, three years ago into an expected surplus of around NKr20bn in 1989.

And yet next Monday Mrs Brundtland's revisionist Labour Party looks set to poll less than 35 per cent of the votes, compared with just over 40 per cent at the last election in 1985.

This looks scant reward for an economic strategy that has at least provided a much needed stability for an economy that had become over-dependent on oil revenues.

So far this year Oslo has had one of the best stock market performances in the world, mainly due to the renewal of business confidence in the economy.

"If there was a vote only among bankers Mrs Brundtland would be home and dry," reflected one respected businessman in Oslo this week. Indeed many employers, by tradition and instinct Conservative Party supporters, would actually like to see a grand coalition government after September 11 made up of Labour and Conservatives. They see it as the only way of protecting the economy and avoiding what is now a real danger of political paralysis from next week when the general election produces no clear cut result.

Many people beyond the business community are beginning to worry that Norway's economic recovery will be threatened by the danger of weak government incapable of making strong decisions. Under the country's constitution, parliament cannot be dissolved during its prescribed four year terms.

"This can concentrate minds wonderfully and force the party leaders to compromise with each other," says Mr Tore Bredal of the MMI poll organisation. But in present circumstances the horse trading involved between Norway's parties could begin to unravel the achievements of the past three years.

Some of the economic facts are certainly impressive.

- Inflation has been reduced significantly from 10 per cent in the spring of 1987 to a likely 4.8 per cent this year, the lowest it has been since the 1960s and the first time since 1980 that the country's inflation rate has been in line with its trading competitors.
- Thanks to two years of a tough statutory incomes policy wage rises have been modest averaging around 4 per cent this year so that unit labour costs are down from a rise of 10.8 per cent in 1986 to a mere 0.25 per cent this year in manufacturing industry. With a 3 per cent increase in its productivity last year, Norway's manufacturing sector is now competing effectively with its main overseas rivals. Output this year has been raised by 4.5 per cent, compared with only 1.1 per cent three years ago.
- Interest rates have come down so that the gap between Norway and foreign short term rates has fallen to 1.5-2 per cent, the lowest it has been since 1982.
- Norway's recovery has not just been on the back of a rise in world oil prices, though this has certainly helped in 1989 with an expected oil export value of NKr67.4bn. There has been a significant growth in the country's mainland industries notably metals like nickel and aluminium, paper and pulp and mechanical engineering, helping to produce a 55 per cent growth in the value of Norway's exports between the first half of 1986 and June 1989.

However none of these achievements has made much tangible impact on the outlook of the average voter whose own living standards have had to stand still after a long period of high spending came to an end in the 1986 crisis. Mr Bjorn Skogstad Aumo, state secretary at the Finance Ministry, accepts that many people have not yet appreciated that economic improvement is now taking place and they are not spending as much on consumer goods as might be expected at the moment.

There is also a black cloud over the economy caused by the rapid rise in the unemployment rate which is now more than 4 per cent – more than 130,000 people. Mr Aumo admits that unemployment has risen much faster than the Government predicted and that it may not peak until the middle of the winter. However, public opinion surveys taken during the election do not suggest that the unemployment issue is making any significant difference to voters' attitudes.

In fact the opposition parties question the solidity of Norway's recovery. Mr Jan Syse, leader of the Conservatives, favours tax cuts for everybody and government stimulus for higher investment.

"We need to create a much more optimistic business climate," he declares. But there is no major ideological gulf between his party and Labour. The federation of Norwegian industries agrees with him. It wants to see greater stimulus for private capital, government spending cuts and closer economic relations with the European Community.

The economic programme of the rapidly rising populist right wing Progress Party is unashamedly Reaganite in its radicalism with a call for the privatisation of industry, drastic tax cuts, the abolition of subsidies and a much more entrepreneurial approach to government.

Such a strong dose of economic liberalism alarms the more traditional parties who continue to support Norway's consensus system. But it seems to have struck a chord among many voters, particularly young upwardly mobile men in the more prosperous south of the country. Certainly the party's charismatic leader, Mr Carl I Hagen, believes that a more market-orientated strategy is what the country needs and a winding down of the old traditional welfare state.

For its part, Labour wants to continue with its present policies, a judicious mixture of economic fine tuning and the controlled expansion in private and public spending. In the past few days a number of Norway's leading banks have published optimistic forecasts on what will happen to the Norwegian economy over the next four years, predicting lower inflation than the OECD average, modest growth of around 2.5 per cent on average but better than for the last three years, continuing limited pay increases and a persistent balance of payments surplus.

What must exasperate Mrs Brundtland is that the sacrifices of the past three years have not borne results fast enough. As always in an economic recovery, there is an important time lag before people recognise it. Unfortunately for the Labour Party it looks like stretching beyond polling day. Not for the first time in a Western democracy, Norway's political and economic cycles are out of synchronisation.

FINANCIAL TIMES

Published by the Financial Times (Europe) Ltd., Frankfurt Branch, represented by E. Hugo, Frankfurt/Main, and, as members of the Board of Directors, F. Barlow, R.A.F. McClean, G.T.S. Damer, A.C. Miller, D.E.P. Palmer, London. Printer: Frankfurter Societats-Druckerei-GmbH, Frankfurt/Main. Responsible editor: Sir Geoffrey Owen, Financial Times, Number One Southwark Bridge, London SE1 9HL.

FINANCIAL TIMES, USPS No 190640, published daily except Sundays and holidays. US subscription rates $365.00 per annum. Second-class postage paid at New York NY and at additional mailing offices. POSTMASTER, send address change to: FINANCIAL TIMES, 14 East 60th Street, New York, NY 10022.

Financial Times (Scandinavia) Ltd, Ostergade 44, DK-1100 Copenhagen-K, Denmark. Telephone (01) 13 44 41. Fax (01) 935335.

Bush set to declare drugs national security problem

By Lionel Barber in Washington

PRESIDENT George Bush yesterday put the final touches to his $7.8bn plan to curb abuse in the US, to be unveiled late yesterday in a national televised address.

The plan aims to cut US illicit drug consumption by 50 per cent over the next 10 years – a goal which the president hopes to reach with a mixture of tough law enforcement and a crackdown on the casual user.

The president is expected to declare drugs to be a major national security problem and to lay most of the blame on the American consumer, rather than supplier countries in Latin America.

This marks a shift from President Reagan's view, which put much emphasis on interdiction from overseas suppliers, and used Mrs Nancy Reagan to front the "Say No to Drugs" campaign. Analysts say this campaign may have helped to cut drug consumption among the middle classes, but failed to tackle growing drug-related violence in the inner-cities.

Mr Bush intends to claim that his plan is the first "comprehensive national strategy" to tackle drug abuse. However, much will depend on whether he can sell his plan to the states. The rise in funds for federal law enforcement aid, for example, requires matching funds from local taxpayers, who may jib at the request.

The president is also expected to press states to revoke drug offenders' driving licences and colleges to deny student loans to anyone convicted of a drug offence. "The aim is to stigmatise the user," said one official yesterday.

Abroad, Mr Bush will provide at least $300m in new aid to coca-producing countries – notably Colombia, Peru and Bolivia – including the $65m which the Administration has already pledged to the Colombian Government.

In a television interview with David Frost, to be aired last night, Mr Bush has said he would not rule out sending US troops to help Colombia fight the cartels, if the government there requested aid. But he stressed that President Virgilio Barco had made no such request. "I don't think the President of Colombia wants American troops," Mr Bush said, "In fact, I know he doesn't. But if he changes his mind, fine."

Rich rejects Mexican claims

By Kenneth Gooding, Mining Correspondent, and Richard Johns in Mexico City

MARC RICH, the Switzerland-based commodity trading group, yesterday described as "arrant nonsense" allegations made in a Mexican court that it conspired with an official of Mexico's state-owned Cananea company to control copper output from the country's biggest mine.

"Marc Rich and Co, not Mr Rich personally, has for some time been negotiating with Cananea to provide a substantial financial facility to be repaid from proceeds of part of future copper concentrate sales at market terms," the company said.

"To allege such negotiations represent a conspiracy to seek control is arrant nonsense."

Rich said negotiations with Cananea had been properly documented and conducted with Cananea management, not with one individual. Substantial Western banks had taken part in the talks, which were continuing until the mine was declared bankrupt on August 20.

But the Mexican authorities are still insistent that chief among the alleged collaborators with Mr Emilio Ocampo Arenal, detained ex-director of Compania Minera de Canenea, in allegedly selling its copper output at 5 per cent below world market prices, were Mr Rich and Mr Gad Newman, a former executive of the copper mine.

Mr Ocampo is facing three charges related to the company's bankruptcy and is accused of taking a 5 per cent commission on copper concentrate sales in collusion with Mr Marc Rich and a West German named as Mr Gad Newman.

Mr Newman, a former financial executive with Cananea, fled the country on the day of Mr Ocampo's arrest. He is believed to have gone to Costa Rica.

The Attorney-General's office alleges that Mr Ocampo altered the wording of contracts with Japanese and South Korean companies to "the disproportionate benefit" of himself, Mr Newman, and Mr Rich.

Over 30 people have been arrested so far in connection with the charges. The former production director, Mr Antonio Montano Munguia, has been released on bail from jail. He is said to have told the investigators that Mr Ocampo and Mr Newman received 4-6 per cent of proceeds from sales volumes

Evidence has been given by 65 former and current officials, staff, union members and external auditors. The Attorney General's office has yet to quantify the extent of the alleged fraud although its proceedings against Mr Ocampo at present related to a sum of no less than Pesos 6,000m.

Price wins election in Belize

By Canute James in Kingston

THE SOCIAL Democrat Mr George Price, who has led his opposition party to a narrow general election win in Belize, will seek to strengthen social services in the English-speaking Central American country, his People's United Party said yesterday.

Results announced yesterday showed that, in a general election on Monday, the PUP took 15 of the 28 seats contested, ousting the conservative United Democratic Party of Mr Manuel Esquivel.

Where majorities do not make a message

Lionel Barber appraises the US Democratic Party's search for strength

ONE day last month, in his home district in Chicago, Congressman Dan Rostenkowski found himself besieged by an angry mob of senior citizens.

The elderly were protesting against a surtax to pay for an expansion of Medicare to cover the high costs of prolonged illness in the US. Mr Rostenkowski, one of the most powerful Democrats in Congress, paused, growled his disapproval and beat a rare retreat.

These days, Mr Rostenkowski, chairman of the tax-writing House Ways and Means committee, is taking an unusual amount of flak – and his problems underline the difficulties facing Democrats as they gather in Washington today for the new session of Congress.

Despite having majorities in the House and Senate, the Democrats are in disarray, divided by basic differences over tax and spending decisions, and unsure about the direction which new party leaders wish to take. Moreover, the Democrats are learning an old lesson in US politics: that control of Congress comes at the price of dealing with a president from the other party, and that operating the legislative machine can conflict with the demands of the party at large.

Other explanations for the Democrats' weak-kneed performance abound in Congress: the party's traumatic defeat in the presidential election last year; the unexpected removal of two of the top leaders in the House under ethics clouds; a new (and relatively inexperienced) Senate majority leader Mr George Mitchell; and the federal budget deficit which has stripped the party of the money with which to fund the social programmes it has traditionally used to woo voters.

There may be a little truth in all these explanations, but together they do not satisfy the more thoughtful analysts of the party's dilemma, such as Mr David Dreyer, who recently joined the staff of Congressman Richard Gephardt, the new House majority leader. For them, the question is as profound as this: what does the Democratic Party stand for?

This was first raised when the party split over civil rights and the Vietnam war 20 years ago and more. It is even more pressing for Democrats today, says Mr Dreyer, who feels the party has failed to develop a philosophy to succeed that of the Great Society – the Kennedy-Johnson War on Poverty. Five defeats in the last six presidential elections underline the weakness of the party at a national level.

Also, Mr Dreyer contrasts his party's weakness with the relative vibrancy of the Republican Party. "Ronald Reagan ran for election in 1968, 76 and 80. He spearheaded a Republican philosophy and he spawned a generation of Republican politicians."

Rostenkowski: besieged

By this analysis, the defeat last year of Mr Michael Dukakis, the Democratic presidential candidate, was not, as some Democrats have argued, a failure of tactics but a failure of message, best summed up by the the candidate's inability to state clearly what he stood for and why voters should back him against Mr George Bush. Alarming for the Democrats is this ideological uncertainty, appearing to be taking hold in Congress which has largely been their stronghold for the past 35 years.

The Democratic leaders face a revolt of some 90 House members who are willing to back, in some form, President Bush's proposal for a cut in the rate of capital gains tax. This is a stunning prospect for Democrats who forecast with confidence this year that Mr Bush would have to swallow his campaign promise and agree to new taxes.

One reason for this switch is that the Democratic rank-and-file has spotted that a cut in capital gains offers the prospect, via a consequent surge in investment, of a one-off gain in revenue for the Treasury which, in a tight budget climate, may be the only way to pay for enhancing programmes such as child care. Just as important, though, say Republicans, is that Mr Bush has convinced some Democrats that a capital gains cut will stimulate economic growth.

It was these prospective defections which encouraged Mr Rostenkowski to tell reporters in early June that he might be amenable to a capital gains cut – if Mr Bush put other issues on the table. In retrospect this seems a mistake for, in his eagerness to do a deal, Mr Rostenkowski might have made a concession without anything in return (and he was hauled back into line by the new House leaders, headed by Mr Tom Foley, Speaker, and Mr Gephardt).

The question for the new session of Congress is whether the Foley-Gephardt team, with Senator Mitchell, can forge a clearer message to voters. Now, there is not much ground for optimism. The president remains popular, the economy continues to grow and there seems to be no paramount national political issue (other than, perhaps, abortion, where the Supreme Court's recent ruling to restrict rights shows signs of galvanising voters).

As Mr Michael Kinsley, the syndicated columnist, wrote last week: "If the Democrats don't stake out an ideological position soon, they will find themselves fighting the next election on relatively trivial – and potentially doubt-edged – issues such as sleaze and phony issues, such as such flags and furloughs, devised in the Republican research laboratories."

Japan near project loans accord with Brazil

By Ivo Dawnay in Rio de Janeiro

JAPAN is close to concluding negotiations with Brazil on the release of almost $500m in project loans under the former's new Overseas Economic Co-operation Fund (OECF).

Mr Harunori Kaya, Tokyo's ambassador to Brasília, said yesterday that conclusion depended only on procedural questions. "We hope to be able to reach agreement as soon as possible," he said.

However, Brazilian press speculation yesterday that the cash might be released without an accompanying agreement on economic targets with the International Monetary Fund appear misplaced. The ambassador gently dismissed suggestions that an accord could be completed without such an IMF programme in place. "We would prefer to see an agreement with the international financial institutions," he said, adding, "perhaps *prefer* is a little too weak."

He went on to confirm that disbursement of funds would be dependent on an IMF accord, dashing hopes by senior officials that Japan might waive the requirement.

Various big loans to Brazil, including a final $600m tranche of commercial bank credits, agreed under the rescheduling deal last year, are held up by the country's failure to meet IMF targets.

London visit lifts hopes for Argentines

RESTORATION of full diplomatic and commercial links between Argentina and the UK has had further impetus from the presence in London this week of Senator Eduardo Menem, brother of Argentina's President Carlos Menem, Robert Graham writes.

Senator Menem, leading an Argentine delegation to a meeting of the Interparliamentary Union, has been underlining that both countries must set up realistic dialogue by side-lining the Falklands sovereignty issue. Both now had a satisfactory mechanism to negotiate resumption of diplomatic and commercial links without Argentina renouncing its claim, he said.

Provincial unrest upsets Menem's austerity push

By Gary Mead in Buenos Aires

CONFLICT between central and provincial governments in Argentina threatens to upset President Carlos Menem's efforts to cut national government spending.

Under new legislation, Mr Menem's economic team has powers to end federal Treasury subsidies to the 22 provincial administrations, 17 of which are governed by politicians of the president's Peronist party. Mr Nestor Rapanelli, Economy Minister, implemented such cuts last Friday.

But Mr Antonio Cafiero, who as governor of the largest province (Buenos Aires) and president of the Peronist party has much political clout, announced late on Monday that the provinces will be unable to pay the salaries of their administrative personnel this month if central government sticks to its word.

Mr Cafiero fought a hard campaign against Mr Menem for the peronist party's presidential nomination last year.

Economy ministers of all provinces are to meet a senior Economy Ministry official today to discuss the issue, and are likely to back Mr Cafiero's demands for a reversal of Mr Rapanelli's budget cuts. Next week, the provincial governors will meet.

Sowing the seeds of destruction

Tax incentives threaten Brazil's rain forest, reports John Barham

HOURS after Brazil's Space Research Institute (INPE) claimed this week that about 33,000 sq km of forest and scrub had been cleared by burning in the last two months, the figure was being challenged by the Government's environmental agency, Ibama.

Once again, the great debate on the conservation of the Amazon was submerged in warfare over disputed statistics.

But, increasingly, ecological groups and international agencies such as the World Bank are arguing that the issue should not be how much forest is being destroyed but the ending of financial incentives behind the destruction.

For two decades, Brazilian governments – often supported by international development agencies – pumped about $1.5bn into tax relief, subsidies and other incentives into projects to develop the region, many of them ecologically dubious.

Then, in April this year, came a symbolic reversal when the Government suspended indefinitely financial backing for cattle ranching in "dense forest areas" and introduced tougher environmental controls on industry.

But the whole body of government credit and tax policies still sanctions destruction of the forest. Years of free-flowing public money have created a coalition of business, political and even criminal interests that vigorously oppose change.

The incentives remain fully in place in the north-east of Brazil and the Amazon, where the Superintendency for the Development of Amazonia (Sudam) is distributing $70m in tax incentives to private companies this year.

A recent investment guide states that "in fiscal terms, [Amazonia] is one of the geographical areas that offers the greatest advantages to enterprises." Any company can deduct 25 per cent from its corporation taxes and put the savings directly into its own Sudam-approved mining, industrial or farming project or channel the credits into a fund administered by Sudam. Tax incentives can finance up to 50 per cent of a project, which pays no corporate taxes for 10 years.

Sudam is to make its largest grant to Mr Olacyr de Moraes, a leading São Paulo businessman. It will give him $640m in tax credits to build a $2.5bn railway linking Mato Grosso on the fringes of Amazonia, with the south of Brazil 1,000 miles away.

The agency is pressing ahead with grants for 21 highly controversial charcoal-powered pig iron and manganese plants in the south of Para state. These plants will cut down 90,000-200,000 hectares of forest every year to turn trees into charcoal. The companies are meant to be forming eucalyptus plantations to provide an alternative source of fuel. However, it is doubtful that the mills will be profitable once the surrounding forest is depleted.

World Bank officials say agricultural policies are even more damaging. Agricultural income is lightly taxed in Brazil, so property has become a tax shelter for corporations and the wealthy. Nowhere is land cheaper or more plentiful than in the Amazon. Speculation keeps prices rising. Ironically, farmers destroy the forest because anti-speculation laws consider uncleared land to be "unproductive" and hence pay higher taxes.

Settlers burn the forest to stake ownership claims. They use the land as collateral to raise loans or sell it for a quick profit. Farmers should only clear half their land but the law is not enforced.

All these policies benefit landowners, many of whom are locked in violent disputes with peasant farmers over property rights. In 1986, Volkswagen sold its 140,000 hectare Sudam-sponsored ranch after reports that subcontractors used forced labour to clear the jungle.

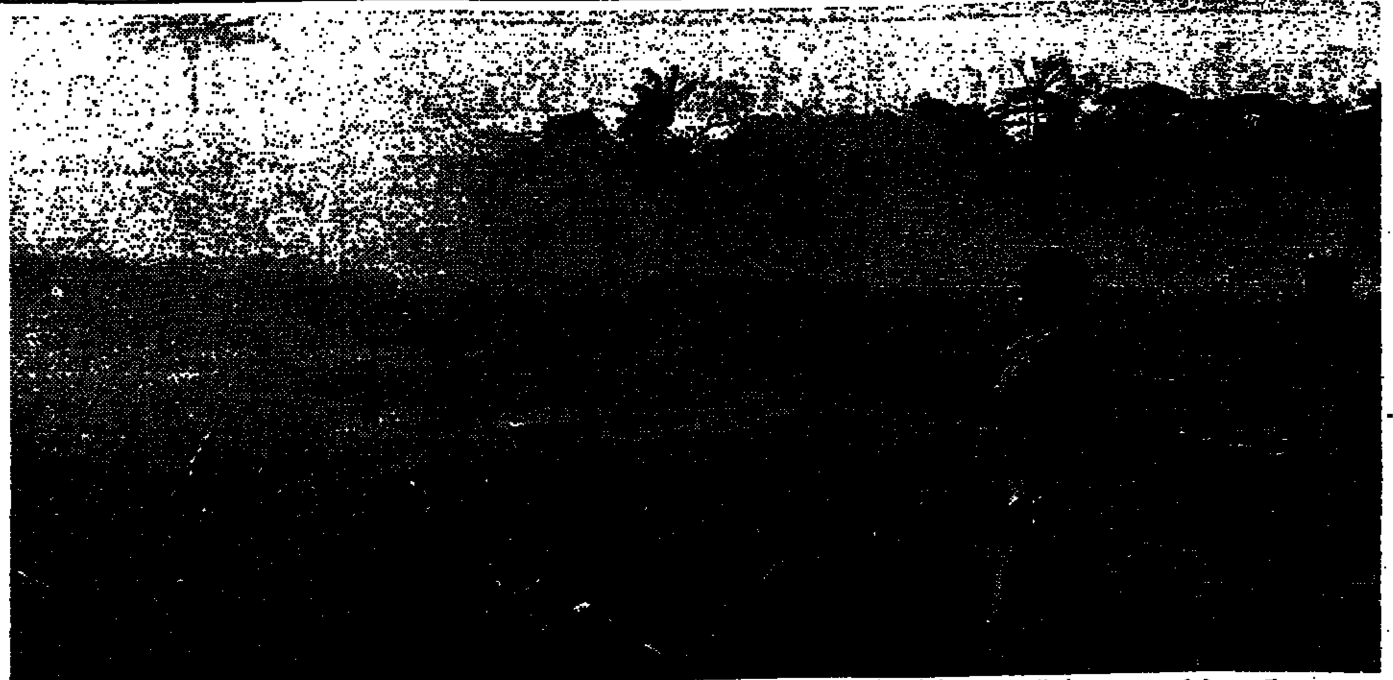
Like Volkswagen, most corporations preferred to invest their tax credits in cattle ranches. Sudam disbursed about $700m – $1bn in tax credits to spectacularly destructive corporate ranches.

Some 8m hectares of forest have been cleared for ranches, which are quickly infested by weeds and secondary growth. Ranches are viable only as long as the tax money keeps flowing. The Government found that many ranches were being exploited only for their tax benefits.

But most Sudam funds were stolen: it disbursed nearly 100 per cent of incentives but only 40 per cent of approved projects have been implemented. This year, Mr Henry Kayath resigned as Sudam's superintendent after he was implicated in a corruption scandal.

In comparison with farming, mining in the Amazon seems almost benign. In theory, mines need destroy a mere 0.02 sq km of forest a year to generate $1m in revenues – 250 times less than a commercial rubber plantation and 5,000 times less than a cattle ranch. Although operating costs are high, mines can be highly profitable because rich deposits lie close to the surface.

Even so, the Government provided massive support for the industry. Mining companies are entitled to Sudam's panoply of benefits and can import heavy machinery free of duty through the Manaus free port; and even after decades in Amazonia, companies avoid paying full corporation tax.



Brazilian settlers burn the rain forest to stake ownership claims to land which they can then sell for a quick profit

The Government spent heavily on infrastructure projects to attract mining investments. For instance, the $3.5bn Tucurui hydroelectric dam in the eastern Amazon sends 40 per cent of its subsidised power to aluminium companies. However, the Government showed no interest in imposing environmental controls until very recently.

New policies require companies to submit environmental impact studies when applying for a mining concession. They must restore the forest once they have finished mining. However, the cost of restoring damaged areas is still unknown, because Amazon mines are still far from exhaustion.

Obviously, policy changes are only meaningful if they are enforced, but the Government's writ does not run much beyond the Amazon's major cities. Although it underwrites the rain forest's pillage with public money, Brasilia cannot find the money to finance its environmental control departments properly. They can hardly pay their telephone bills, let alone police an area larger than Western Europe.

Brazil is now recognising that policies should encourage ecologically viable exploitation of the forest's resources. In Acre, in the far west of the Amazon, the Government created reserves where peasant farmers harvest rubber and Brazil nuts. The reserves were championed by Mr Chico Mendes, the rubber tapper leader murdered last December. By making low-tech, small-scale development an international issue, Mr Mendes achieved more in death than during his years as an obscure agitator.

Malaria mosquito faces a tough time in boomtown

By John Barham in Ariquemes, Rondonia

MALARIA has swept through the Brazilian Amazon fast on the heels of devastating deforestation. Now, for the first time in decades, Brazil has inexplicably managed to stem the disease's phenomenal advance.

In 1977, Brazil had 101,000 cases of malaria. By 1988, that figure had risen to 570,000, a world record. Last year malaria claimed an estimated 3,000 lives. Now, however, to the Health Ministry's surprise, malaria cases have fallen by 11 per cent in the first half of this year.

The sprawling boomtown of Ariquemes, in the west Amazon state of Rondonia, proudly claims to be the world's malaria capital. But recently, it has seen a dramatic improvement. In January, one of the peak months for malaria, notifications fell by 35 per cent.

The anopheles mosquito, which transmits malaria, flourishes in the stagnant ponds left by Ariquemes settlers slashing and burning the rain forest. Curiously, the people of Ariquemes are as proud of their appalling health as a war veteran is of his wounds. Some people claim to have come down with malaria as many as eight times. In 1988, the city reported 240,000 cases of the disease, even though it has a population of only 150,000.

A khaki-uniformed paramilitary health brigade called Superintendency of Health Campaigns (Sucam), charged with stamping out endemic diseases, takes much of the credit. Its infantry travel the Amazon by jeep, canoe and light aircraft systematically spraying houses and the forest with insecticide and testing the population for malaria.

However, officials in Brasilia are not sure why malaria is declining, although embattled President Jose Sarney, desperate for good news, immediately claimed full credit for the improvement. Dr Dilermando de Rezende of the Health Ministry's Malaria Division suspects changing rain patterns may be reducing the number of mosquitoes.

The Government is about to begin a five-year $211m anti-malaria campaign, with half the money coming from a World Bank loan. Despite its sudden decline, malaria will remain a permanent threat in Amazonia.

Strains of the malaria parasite have acquired immunity to conventional drugs. Prevention is impossible and relapses are common. A vaccine is still decades away and is unlikely to provide full protection from the complex malaria parasite.

Fortunately, the rate of settlement and deforestation of Rondonia by dirt farmers is declining. But an estimated 1m gold prospectors have descended on Amazonia. They roam the jungle, spreading malaria wherever they go.

Amazonians are remarkably ignorant about malaria. Dr Rezende explained that "anything that is not directly related to immediate survival – food and shelter – is ignored." A poster campaign featuring a larger-than-life diagram of the anopheles was proved a failure when settlers reassured officials that three-ft-long mosquitoes do not exist.

Rather than spend heavily on prevention, the Ariquemes city authorities have set up a malaria hospital, which, they proudly announce, is the only one of its kind on earth. Treating malaria costs 8.5 per cent of the city's over-spent budget and officials claim that further anti-malaria efforts are hobbled by a chronic lack of funds from the Government.

Yet the shortage of funds has not prevented the city from building a trailbike circuit and a brand new skateboard park, even though few Ariquemes youngsters are wealthy enough to own even a skateboard.

Export reforms 'no guarantee of economic growth'

By William Dullforce in Geneva

UNCTAD's 1989 trade and development report pours some cold water on the idea that trade policy reforms designed to increase exports necessarily promote the economic growth of developing countries.

Third World exports surged by some 13 per cent last year, with large advances in shipments of manufactures by some South-east Asian and Latin American countries.

But after studying 32 developing countries which followed varying trade policies during the 1980s, Unctad's economists found that favourable export performance was not always synonymous with good overall economic performance.

In many countries, the expansion of exports has taken place not through increased investment but mainly through shifting output away from domestic markets, which have been kept depressed by demand management policies aimed at generating trade surpluses.

Of the 31 countries for which data were available, 18 showed an increase in the ratio of exports to Gross Domestic Product of two percentage points or more between 1979-81 and 1985-87.

But in only three countries did the import ratio increase by more than 2 per centage points while in 21 others it declined by more than two points.

Exceptions to this general pattern are mainly found in South-east Asia.

Indonesia leads with a 44 per cent average annual growth in exports of manufactures between 1980 and 1987 and a 11.3 per cent annual increase in gross domestic investment.

South Korea, Malaysia, Pakistan and Thailand were among the nations combining substantial improvements in exports of manufactures with high rates of growth in investments, manufacturing output and GDP.

Mexico, Morocco, Venezuela, and to a lesser extent Brazil, showed strong growth in exports of manufactures but negligible increases in overall output and falling investment ratios.

'In many countries, the expansion of exports has taken place not through increased investment, but mainly through shifting output away from domestic markets, which have been kept depressed by demand management policies aimed at generating trade surpluses'

Their export capacities remain fragile and their good export performance of recent years could easily come to an end, Unctad comments.

Nor is the favourable effect of the open trade policies and import liberalisation adopted by many developing countries this decade as yet proved.

Rapid export growth was shared by countries with relatively low tariffs and few non-tariff barriers (Mexico and Malaysia), by those relying heavily on policies of selective intervention (Indonesia and Turkey) and by those with restrictive import policies (Venezuela).

While acknowledging that some policy reform packages are too recent for a final verdict to be passed, Unctad comments that the countries concerned – Bolivia, Chile, Côte d'Ivoire, Ghana, Jamaica and Uruguay – need to realise other conditions for development, such as the accretion of skills, economic and social infrastructures, and policy stability.

The international agency also finds it "particularly disturbing" that, as more and more developing countries liberalise their trade regimes, the drift of policies in developed countries – the US and the European Community are named – is toward greater protectionism.

Third World problems could thwart debt strategy

Relief cannot be confined to reform-minded nations, says Unctad chief. **William Dullforce** reports

THE FISCAL and monetary disorder prevailing in many developing countries can thwart the new Third World debt strategy embodied in recent agreements with Mexico and the Philippines, the United Nations Conference on Trade and Development warns in its annual report published today.

The success of the debt-reduction plan launched last March by Mr Nicholas Brady, the US Treasury Secretary, is seen as depending on adjusting it, to take into account the cumulative damage inflicted on the financial systems of countries by the seven-year debt crisis.

In particular, the Unctad economists believe that in some heavily indebted countries – Argentina is cited as one example – economic disorder is so heavily entrenched *that the stabilisation programmes* called for by the International Monetary Fund and World Bank under the Brady Plan are impossible without a prior easing of the debt burden.

Unctad, a forum for dialogue between the Third World and industrialised countries, was the first international organisation to call, in its last year's report, for sweeping debt cuts, including a 30-per-cent write-off of commercial bank claims.

This year, while recognising that the Brady Plan represents a turning point on debt reduction, the Unctad secretariat considers that the innovations it has so far introduced are "too small to constitute a viable solution to the debt crisis".

Debt relief cannot be confined to countries such as Mexico which are able to establish a track record for economic stability and market-oriented policy reform, Mr Kenneth Dadzie, Secretary-General, underscores in his overview of the 250-page report.

Among the symptoms of chronic disorder in many debtor countries listed by Mr Dadzie are rapid inflation, large budget deficits, excessive money creation, rapid accumulation of domestic debt, high real interest rates, repeated currency depreciation and capital flight.

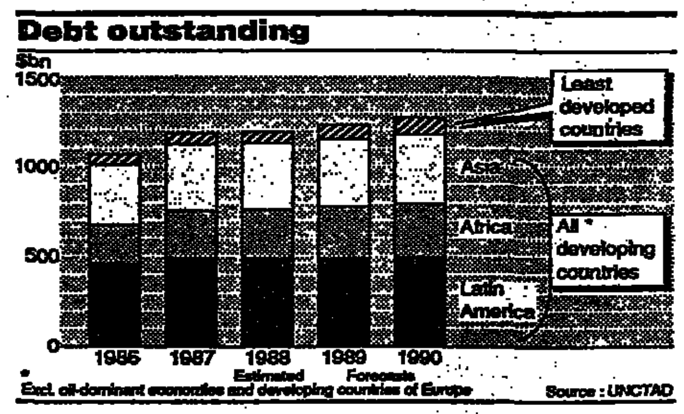
Political factors are also adduced. Thus, the failures of the inflation-curbing programmes launched in Argentina and Brazil in 1987 are ascribed to "a continuing struggle by different popula*tion groups to attain income* levels that were not mutually compatible".

Pointing to an intensification of class conflicts, political instability and violence in a number of Third World countries, Mr Dadzie warns that hard-won gains in democratic institutions and human rights are in jeopardy.

In Unctad's view, it would be dangerous for creditor governments and international agencies to insist that, to be eligible for debt relief, countries have first to follow Mexico's example in curbing inflation and cutting their budget deficits.

Third World administrations would not be able to reconcile the competing claims on income from their peoples. Few governments could impose the sharp cuts in real wages realised in Mexico, it is suggested.

Debt outstanding



* Excl. oil-dominant economies and developing countries of Europe. Source: UNCTAD

Argentina and Peru are among the problem countries for the Brady plan cited privately by Unctad's economists. Mr Roger Lawrence, the money *and finance director, says:* "The question is, where do we go after Mexico and the Philippines? We would like to see governments move quickly on Argentina, which is probably the litmus test for what one can do with countries in serious disorder".

Unctad's argument is that in its present form the Brady Plan can do little for debtor countries which are incapable of achieving economic equilibrium without first receiving debt relief.

The new policy guidelines allow some 25 per cent of a country's IMF drawing rights and World Bank structural adjustment loans to be "set aside" to support reductions in debt. Up to 40 per cent of a country's IMF quota and up to 15 per cent of its overall three-year lending programme from the Bank can be used for interest support.

In theory, the two agencies can extend around $20bn to countries for debt and debt service reduction. *In addition,* Japan has pledged $10bn in parallel lending, making a total pool of some $30bn.

In practice, under the conditions imposed, actual use is unlikely to approach this figure, Unctad claims.

For one thing, countries unable or unwilling to accept IMF and World Bank "conditionality" – the structural adjustment programmes imposed – are not eligible. For another, special justification, reflecting the strength of a country's medium-term programme, is required for access to the interest-support facility, which makes up over half the pool.

This could mean that it would be limited to countries which have managed to meet policy conditions for several years, Unctad assumes. Only a handful of countries could meet such a test.

Japan has not yet *clarified* whether it will require "special justification" for the use of its $10bn. Unctad economists point out that Japanese acceptance of this extra risk could be crucial for Argentina, which cannot provide a Mexican-type track record.

Even if the $30bn were fully used, Unctad estimates that for the highly-indebted countries, interest payments would fall by about 15 per cent and principal by less than 20 per cent. The minimum required is about double these figures, it claims.

Unctad's recipe is, first, for creditor governments to provide more "carrots and sticks" in the form of inducements and sanctions for commercial *banks to accept* debt reductions. Second, it wants IMF conditionality to be eased, to take into account "the diminishing capacity of debtor countries to achieve, in the face of a huge net outflow of resources, the social and political consensus necessary for economic stability and growth".

The longest chapter in the report seeks to justify this latter demand by analysing the increasing "macro-economic disorder" into which many developing countries have been plunged, in spite of serious efforts to cope with debt repayments and declining commodity prices and conform with adjustment programmes.

A basic thesis is that the impact of the external shocks of the 1980s on the finances of Third World public sectors has been grossly under-estimated. Since in developing countries a large part of the foreign debt is serviced through the public sector, the rise in interest payments has added to public sector deficits at the same time as cutbacks in lending created domestic financing problems.

Persistent and large fiscal deficits and rapid monetary expansion have been the effects, even more than the causes, of payments crises and inflation, it is argued.

In many countries, debt payment became a question of domestic budget transfers. Resistance by the private sector to making such transfers precipitated a struggle between the private and public sectors

Where tariffs and other import charges were an important source of government revenue, reduced imports by the private sector have added to budget deficits.

In fact, the Unctad report shows, deficits have been brought down in many debtor countries from the high levels reached during the early 1980s. But reconciling the differing policy objectives imposed on governments has proved to be impossible without a number of serious trade-offs.

Given the difficulty experienced by certain industrialised countries in making the relatively much smaller switch of resources from the private to the public sector needed to balance budgets, it is not surprising that in developing countries conflicts between competing claims on income have remained unresolved, Mr Dadzie remarks.

Total debt burden of developing countries falls for first time

THE total debt burden of developing countries fell in 1988, for the first time since the international debt crisis began, according to figures from the Organisation for Economic Co-operation and Development, Stephen Fidler writes.

Total external debt fell to $1,240bn in 1988 from $1,276bn a year earlier, of which long-term debt accounted for $981bn, down from $1,002bn, according to the organisation's 1988 survey, Financing and External Debt of Developing Countries.

The report gives, in general, a positive assessment of the changes in the international debt strategy in 1988 and 1989 and, the new debt initiative launched by the US Treasury Secretary, Mr Nicholas Brady, in March.

"A significant breakthrough has been the official acknowledgement by the international community of the existence of a 'debt-overhang' in the middle income problem debtor countries," it said.

Debt burdens fell, butdebt servicing costs rose in 1988, partly because of higher US interest rates, to $177.9bn from $156.5bn in 1987. Net resource flows to developing countries fell by about 1 per cent in real terms last year – after adjustment for price and exchange rate changes – after remaining stable in 1987, the OECD says.

While official disbursements rose by about 1 per cent in 1988 in constant terms, private flows declined. Nominal resource flows, before these adjustments, showed the recovery initiated in 1987 was confirmed in 1988. While the increase in 1987 was due to higher official, and private disbursements, the 1988 nominal increase was due to higher disbursement of official grants and loans and export credits.

Resource flows to advanced developing countries, particularly in the Far East which no longer need the finance, have declined. For different reasons, problem debtor countries – particularly in Latin America and the Middle East – continue to face financing constraint.

The nominal figures show official development finance rising to $67bn from $62bn and export credits growing to $3bn after net repayments of $700m the previous year. Private flows declined to $32.9bn from $35.6bn. Resource flows rose to $102.9bn, the highest nominal level since 1982, compared with $96.9bn in 1987.

The figures show that developing countries repaid $4.3bn to the International Monetary Fund in 1988, compared with repaying $4.7bn in 1987 and $1.4bn in 1986. Capital flight from all developing countries is estimated to have risen to $14bn in 1988 from $11bn the year before.

Adjusted to 1987 prices, net resource flows slipped to $96bn from $96.9bn in 1987, $96.3bn in 1986 and $119.4bn in 1985.

Australian airline boss offers talks with strikers

By Chris Sherwell in Sydney

Abeles: personal appeal

SIR Peter Abeles, powerful head of the TNT transport group and joint chief of Ansett Airlines, yesterday made an impassioned personal appeal to pilots to meet him personally over the dispute which has grounded all Australia's domestic flights.

At the same time he claimed some pilots had already returned and signed new contracts to work for Ansett, an assertion backed by Mr Bob Hawke, the Prime Minister, but hotly disputed by the Australian Federation of Airline Pilots.

Sir Peter's call was his first public intervention in the costly dispute, which is now into its third week. It came against a background of increasingly vehement complaints from industries suffering grave disruption to their businesses.

Ansett is jointly owned by TNT and Mr Rupert Murdoch's News Corporation. The airline and its only competitor, the government-owned Australian Airlines, are losing an estimated A$20m (£9.8m) in cash flows each week their aircraft are grounded.

Sir Peter's appeal came in a letter to the pilots, who resigned *en masse* two weeks ago as part of their battle over a 29 per cent pay claim. In it, he said the group had to "rebuild" with pilots who had already returned, those who would reconsider and return, and with new applicants.

Saying he was "prepared, at all times, to talk to even my ex-employees," he invited them, "once more, to either meet me individually or in small groups, say 20-30, where we can have meaningful discussions. . ."

But he warned: "If I don't get a positive response to this personal approach then I reluctantly believe I will have to move fast and rebuild the company in a different way. . ."

The pilots federation, which the airlines no longer recognise since the Industrial Relations Commission cancelled its industrial agreements, said it was aware individual pilots were meeting Ansett, but added that they were insisting that the federation negotiate for them.

In their public statements the airlines and the federation have both been talking recently of productivity deals as part of any new pay arrangements for pilots. This has been interpreted as offering scope for compromise, but it has underscored the lamentable failure to negotiate before flights were grounded.

According to the airlines, the federation first notified them of its pay claim on July 26. But as far back as February pilots disrupted flights for a 24-hour period in a deliberate signal of their pay grievances, and preparations for a full strike were public knowledge by May.

In August the airlines insisted that the pilots negotiate within the centralised pay-fixing guidelines established by the Government and the trade union movement, which allow pay increases of 6 per cent and, at a push, 12 per cent.

The pilots refused, and neither side appears to have made a serious attempt to reconcile the two positions before the dispute slid out of control. Yesterday's move by Sir Peter may turn out to be the first clear move by any of the participants since then to end the battle.

Sanctions pressure makes 550 companies divest

By Peter Montagnon, World Trade Editor

MORE THAN 550 foreign companies have been obliged to divest their South African holdings since 1985 as a result of public pressure and sanctions policies, weakening the political and economic bargaining power of the country's black population, the International Chamber of Commerce said yesterday.

Apartheid was "morally indefensible," the ICC said in a submission to the UN hearings in Geneva on the activities of transnational corporations in South Africa and Namibia, but the departure of foreign companies had lessened pressure for change, increased black unemployment and poverty, and frequently led to a deterioration in the conditions of blacks.

The companies leaving South Arica under the ICC calculation was much higher than the total of 277 quitting since January 1984 established in a report by the UN.

The ICC submission said that opinion polls taken in South Africa by a wide variety of organisations show the black population is opposed to action that threatens jobs.

The outflow of capital and the lack of new foreign investment since 1985 have contributed to the increase in black unemployment, currently running at 40 per cent of the active black population, it said.

The record of foreign companies operating in South Africa is that they have helped improve wages and employment conditions, introduced new skills to the black workforce, promoted a framework for representative trade unions and challenged apartheid structures outside work.

More than 300 foreign companies there at present, with more than 130,000 employees, subscribe to the US Statement of Principles, previously known as the Sullivan Code, and the European Community code of conduct which call for exemplary employment practices in the workplace and spending on social projects.

These companies are making an important contribution to South Africa's economic future, said Count Manfred von Roon, managing director of AEG's South African operation.

Egypt seeks limelight of world diplomatic stage

Tony Walker examines the reasons for Cairo's mobilisation of a sleek, well-dressed army of envoys

WHEN President Hosni Mubarak of Egypt flies to Dakar this week to mediate in Senegal's bitter dispute with neighbouring Mauritania it will merely mark the latest in a string of high-profile Egyptian diplomatic initiatives that recall the hectic Nasser era of the early 1960s.

No regional issue, no global dispute with a Third World dimension lies beyond the reach these days, it seems, of hyperactive Egyptian diplomacy. An army of sleek and well-dressed Egyptian diplomats - Egypt has one of the world's biggest foreign services - has been mobilised to promote the cause of the oppressed and the poor.

"They're good at it," said a Western official admiringly of the professional skills of Egyptian diplomats. "What we're seeing now is the culmination of a lot of effort that has been expended in the past few years."

Current diplomatic initiatives, in a long list, include:

- Efforts to organise African states to confront creditors. African foreign debt exceeds $240bn (£154.8bn).
- Attempts to promote a new North-South conference on development issues, predominantly debt. Egypt is a member of a committee of four developing countries pushing for a "second Cancun".
- Continuing efforts to bring the Israelis and representative Palestinians to the negotiating table. Mr Mubarak recently forwarded a 10-point proposal to the Israelis aimed at expediting a resumption of the peace process.
- Strenuous moves to bring about a peace settlement between the Sudanese Government and the southern rebels. Cairo has been intimately involved in a series of initiatives.
- A deeper involvement in the politics and preoccupations of Africa. Egypt has traditionally seen itself as principally an Arab and Middle East power, but recently has sought to strengthen its African role.
- A reactivation of Egypt's traditionally strong leadership role in the Non-Aligned Movement, of which Nasser was a founder. The most recent flurry of Egyptian diplomatic activity follows Mr Mubarak's appointment at the end of July to the chairmanship of the Organisation of African Unity. This provided the Egyptians with an additional platform from which to pursue their regional and global ambitions.

Last month's international debt seminar in Cairo was arranged by the OAU as a means of exerting pressure on Western creditors to consider a collective solution. A statement issued at the end of the three-day seminar said pointedly: "Africa should not relent until the international conference is convened and a lasting solution is found to the debt problem."

Another important factor in Egypt's move back into the diplomatic limelight was its readmission in May to the Arab League after a 10-year suspension following its 1979 peace treaty with Israel. This has enabled it to reassert its central role in Arab politics as befits the most populous and militarily powerful Arab state.

Since June, Cairo has been extremely active in regional Arab affairs, pushing for a fresh initiative on the Lebanon issue, mending fences with Libya and edging towards improved relations with Syria. Only Syria and Libya among Arab states who broke off relations in 1979 have yet to resume formal ties.

Egypt is also involved, through the OAU, in efforts to end the war between the Ethiopian Government and Eritrean rebels and to find a solution to the conflict in the Western Sahara between Polisario guerrillas and Morocco. It also played a role in helping to bring Chad and Libya together, although in the end it was Algeria that got the credit.

ALL this strenuous diplomatic activity is not motivated entirely by altruism. Cairo's attempts to mobilise collective Third World action on the debt issue is partly attributable to self interest. Egypt, whose foreign debt totals $50bn, is in the same debtor league as some of the more extreme Latin American cases.

Egyptian officials would not be so crude as to suggest that Egypt's aim was to secure debt forgiveness, but it is clear that they see collective action as the best approach. "We want to show that we want to co-operate and contribute to a solution of our own problems," says Dr Boutros Ghali, the Minister of State for Foreign Relations, and mastermind of Egypt's African strategy.

Egypt's highly visible efforts to bring Israel and the Palestinians to the negotiating table are likewise aimed in part at promoting Egypt's image as a bulwark against extremism, and therefore as an asset to the West deserving of greater assistance.

Egypt's interest in helping to resolve the Ethiopian and Sudanese conflicts is motivated by its very basic concern about the security of its water supply. It is almost totally dependent on the waters of the Nile that flow through Sudan after rising in the highlands of Ethiopia and in neighbouring states.

Egypt's drive for international diplomatic success is also partly attributable to the desire of its officials to counter the dismal economic news at home. One Western official said that this action enables the hard-pressed Cairo Government at least to show signs of having standing abroad.

Gandhi plans $18bn-a-year environment study fund

MR RAJIV GANDHI, India's Prime Minister, yesterday suggested creating an $18bn-a-year international environment fund.

Speaking on the second day of the 102-nation Non-Aligned Summit in Belgrade, Mr Gandhi said the Planet Protection Fund could come under UN auspices, developing environment-friendly technologies which would be available to members.

He estimated that if members contributed one thousandth of their gross domestic product the fund would receive $18bn a year.

With the four-day summit focusing hard on economic themes, Nigeria proposed a three-pronged approach to lifting the Third World's debt burden.

Nigerian President Ibrahim Babangida said debtor nations were showing courage in restructuring their economies but needed understanding policies from their creditors.

He proposed that:

- All official government-to-government debts be cancelled.
- Repayments to the International Monetary Fund (IMF) and World Bank be eased by giving debtors new soft loans.
- Debts to commercial banks be bought at discounts of up to 80 per cent by a new agency set up under the IMF and World Bank.

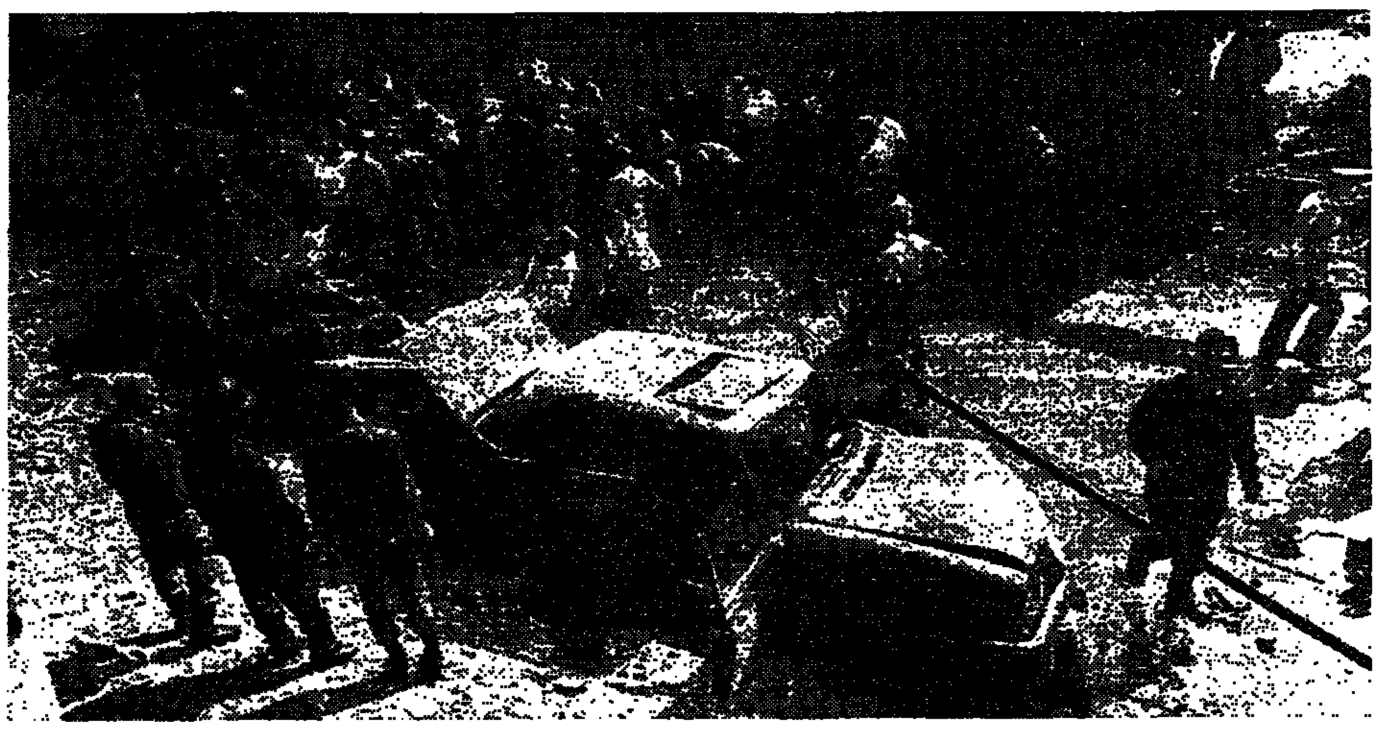
In a further initiative, Peru announced that it and 10 other countries had set up an informal group to put across the Third World viewpoint on debt, trade, monetary stability and other economic problems.

Peruvian officials said the group, which includes Yugoslavia, Algeria, Venezuela, Zimbabwe, Indonesia, India, Egypt, Argentina, Nigeria and Senegal, would fulfil a role similar to that of the Group of Seven leading industrial non-communist countries.

President Carlos Menem of Argentina is to visit the Middle East in an attempt to bring peace to the region and particularly to Lebanon, Argentinian officials said yesterday.

They said Mr Menem, whose parents came from Syria, had discussed plans with leaders from Jordan, the Palestine Liberation Organisation, Saudi Arabia, Syria and the United Arab Emirates while in Belgrade.

BEIRUT CAR BOMB AS CHRISTIANS MOUNT ANTI-US PROTEST



A CAR bomb exploded near a market in Christian East Beirut yesterday – pictured above – killing the two occupants of the vehicle and injuring seven passers-by.

The explosion coincided with an uneasy lull in artillery bombardments since Monday and with a demonstration by some 1,000 Lebanese Christians in front of the US Embassy, Lara Marlowe writes from Beirut. The protesters are demanding support and that the US recognise General Michel Aoun, their leader, as the country's head of state.

The action was organised by Mr Gibran Tueni, a newspaper publisher, who sits on the board of the Christian Lebanese Phalange, or Lebanese Forces militia.

The demonstrators say that, just as Lebanon's Christian enclave has been blockaded by Syrian artillery since March, they will "tighten [their] siege" of the embassy until the US Ambassador, Mr John McCarthy, is withdrawn or denounces Syria.

Two US embassy buildings in Beirut were destroyed by suicide car-bombers in 1983 and 1984. A token embassy annex in West Beirut was quietly shut down this summer when adjoining land became part of the Syrian military zone on the West Beirut peninsula.

In an effort to maintain US neutrality in the current conflict, Mr McCarthy, who arrived in Beirut after the aborted Lebanese presidential election a year ago, has not presented his credentials to either of Lebanon's two governments.

Gen Aoun has also joined in the verbal offensive against the US. "The United States have sold Lebanon to Syria," Gen Aoun said bitterly last weekend. Before yesterday's protest at the embassy, his followers had lost little time in demonstrating their indignation towards the power which, after France, traditionally supported the Maronite ruling class.

A crowd calling itself the Supporters of Liberation had surrounded a restaurant near Mount Sannine, where Mr McCarthy was dining. "McCarthy go home," they chanted as his bodyguards scuffled with them.

The protestors have been encouraged by the words of a former Papal Nuncio to Lebanon, the Lebanese-American, Monsignor John Assaf. After conferring with Gen Aoun last week, Mgr Assaf told reporters that "American public opinion supports Lebanon and its people, but the US administration favours Syria."

IMF grading challenged

By Peter Norman, Economics Correspondent

SOUTH KOREA and Iran have joined Japan in demanding an upgrading of their position in the International Monetary Fund, adding to the complexity of already difficult negotiations over boosting the IMF's financial resources.

The question of whether to raise the quotas or subscriptions of IMF members will be a leading issue at a meeting of the Fund's policy-making Interim Committee in Washington on September 24.

So far little progress appears to have been made on resolving two problems central to the quota issue. These are Japan's desire to move from number five in the IMF pecking order to number two, displacing Britain, and the wish of most Fund members, backed by its own management, for a quota increase to strengthen its financial resources.

According to international monetary officials, both South Korea and Iran support their claim for a bigger role in the IMF with the argument that their present quotas do not reflect their importance in the world economy. This is the argument that Japan has been using to support its demand for an IMF upgrading.

The issue of a large quota increase sets most IMF members against the US and UK, the largest shareholders.

Protests grow in S Korea

By Maggie Ford in Seoul

OPPOSITION parties in South Korea yesterday strongly criticised a government attack on university leaders as 5,000 students protested in the provincial city of Kwangju against the crackdown.

The Ministry of Education has demanded the sacking of 65 university presidents, including a number of senior Buddhist leaders, for breaking laws relating to corruption, accepting bribes and for admitting students who had been punished for political activity.

Prosecutors have warned that they plan to investigate corrupt activity in universities along with compliance with the National Security Law, which bans contact with communist North Korea.

In Seoul yesterday prosecutors released the head of the Buddhist-run Dongguk University, arrested on charges of accepting bribes to admit students. They said Mr Lee Ji-kwan, the university president, would not be able to impede investigations if freed.

However, four officials arrested with Mr Lee last week on charges of taking Won2.1bn (£2.05m) from parents of 46 students, are still being held.

Prosecutors have already come under attack for indicting the opposition leader, Mr Kim Dae Jung, under the National Security Law.

Israeli MPs hold up plan to speed investments

By Hugh Carnegy in Jerusalem

A PLAN by Mr Shimon Peres, Israel's Finance Minister, to accelerate much-needed job creation by attacking bureaucratic obstacles to new investment projects has this week run into political flak and parliamentary red tape.

Finance Ministry officials saw the plan as a decisive and effective short-term response to unemployment approaching 10 per cent of the workforce, as well as an important signal of a long-term determination to restructure the state-dominated economy. But political bickering between the Likud and Labour parties, the main partners in the national coalition Government, has got the plan off to a bad start with hopes for its swift implementation being held up by a dispute over which committee of MPs should handle its passage through the Knesset.

Mr Peres, leader of the Labour Party, hit on the idea last month of empowering a three-minister committee, headed by himself, to force through at speed the dozens of official approvals required by many investment projects before they can get off the ground.

He proposed picking 100 existing projects which only required completion of the official approval process before work on them could get underway. Although deliberately not listed in full for fear of complaints from those excluded, examples ranged from a $30m plan by Voice of America to build a transmission relay station in Israel, to large industrial projects such as a plans to develop copper mines near the southern port of Eilat.

"The country is full of projects and money available for investment. But what can we do if 55 licences are are required in order to start an avocado grove in Israel?" Mr Peres asked members of the Knesset. The scheme was approved by the Cabinet, including Mr Yitzhak Shamir, the Prime Minister and leader of the Likud.

However, many Likud members were unhappy, suspicious that the plan deliberately sought to exclude Likud influence and would favour investments in Labour areas. It did not escape their attention that although Mr David Levy, the Likud Housing Minister, was included on the new bureaucracy-busting committee, the Likud ministers of Industry and Trade, Economic Planning and Tourism – all key offices in the licensing procedure – were not.

Commonwealth Games funded

By Terry Hall in Wellington

THE New Zealand Government last night moved to guarantee next January's Commonwealth Games which are faced with a serious funding crisis.

The move followed last week's disclosure that the Games faced a deficit of NZ$25m (£9.6m), although some reports put it as high as NZ$50m. Under an accord hammered out in Auckland last night the Government will underwrite the Games by some NZ$7m, on top of existing gifts and commitments of NZ$13m. Local bodies in Auckland will guarantee a further NZ$13m against projected losses.

Problems developed in August after British and Commonwealth sportsmen decided to tour South Africa and there was talk of a boycott.

Games organisers said this provoked some corporate sponsors to defer funding decisions in spite of assurances from black African countries that they had no quarrel with New Zealand and would attend.

Peking parties to forget Communism

Peter Ellingsen reports on how students are finding an antidote to repression

Dancing in Tiananmen Square the night before the army opened fire

THE BEAT goes on. On Friday night, close to the intersection of Xidan and Chang An where three months ago I watched several soldiers being ripped apart, Peking is bopping to the sounds of a local rock band.

Art students, hair long and clothes hip, drink beer and dance. It is past midnight but the venue, marked only by a dusty sign and a makeshift check-in table on the footpath, is jumping. Young men wearing the requisite white sneakers, jeans and loose T-shirts, bounce on the balls of their feet, singing along with the melodramatic vocalist, all the while beaming the wide smiles not recently associated with China.

By current Peking standards it is intimate, casual and very bourgeois. Many songs are sung in English, and the chat is as much chat-up as dialogue. Young women flaunting their best ersatz designer outfits linger coyly, well aware of the male attention. There may be an anti-Western values drive on but these young people show no sign of adhering to it.

Forget the machinegun-toting soldiers on the overpass outside, and this could be anywhere. Even the two uniformed policemen slouching by the lavatory seem anonymous. You have to remind yourself that this is Communist China in the throes of a martial law crackdown.

The paradox is hard to reconcile and most don't try. Following the decade's most appalling tragedy, remembering is simply too painful. Peking three months after the tanks rolled in, is a city determined to survive, and if that means appearing to forget, the perspiring patrons of this night spot will oblige. It is not that they're ignorant, just that suffering and forbearance are lodged in the Chinese psyche.

Consider a young man, let's call him Guo. I met him in a street market this week talking with friends. He struggled to gain a place in an élite Peking college four years ago and now, like many graduates who played a peripheral part in the student protests, is jobless and unlikely to realise his dream of attending an American university. At least he is not in jail or in hiding, like a number of his classmates.

But in the aftermath of the crackdown, liberty is purely a concept. It is the Party which controls the big choices, and it has decreed that he give up his permit to live in the capital and work in the rural areas for two years before undertaking further study, travel, or desirable city job.

But though his immediate plans have collapsed Guo's demeanour remains buoyant and polite. He believes neither the official account of events of June 4, nor the ideological polemic pouring out of the media. Yet he publicly toes the line and laughs when I suggest he could end up in trouble. "The Government is very bad," he says quietly. "The leaders are old and out of touch, but they can't live forever. We know the truth, they can't alter that."

But they have tried. State TV has run footage in which reality had been re-assembled; army trucks burning and people scrambling over tanks, with no suggestion that the military machine had done anything but defend itself; soldiers wielding automatic weapons were the victims, abused by a howling mob.

'The spirit of the young in Peking demonstrates how rigid state controls have produced only outward acquiescence'

Guo's attitude was unexpected, but as I discovered, far from unusual. It suggests that the Government's bully-boy tactics are failing. This educated generation is not as pliable as the last. Raised on consumerism and rising expectations, they have shaped their own ideology, and it owes little to Marx.

A 21-year-old student encountered in a Peking hotel explained. After checking over his shoulder for informers, the young man, who had been frantically gyrating to a Chinese rendering of Jimi Hendrix, whispered: "All we can do now is wait. Our time will come." A subway daubing, amazingly intact months after the massacre, elaborated the theme: "All these things are to be answered for."

The scope of the repression is difficult for an outsider to appreciate. The streets of Peking bustle with energy, and smiling faces are easily found.

Yet the tanks of June were only the visible tip of a juggernaut that has long been trampling lives. The system of fear and indoctrination continues, convincing no-one while creating paranoia from which there is little respite.

A Chinese woman, inspired by the milder precursor of this year's democracy movement, the "Peking Spring" of 1979, remembers being unable to sleep for months after the inevitable government crackdown. "Not knowing what would happen was the worst," she said. "You felt nervous in case someone said something and the police came for you."

In China, with its network of neighbourhood committees, work units and ever present, prying eyes, misbehaviour is inferred, not necessarily committed.

Innocence is questioned, not guilt. But as the spirit of the young in the capital demonstrates, the rigid state controls produce only outward acquiescence.

WORLD TRADE NEWS

Australian consortia bid to supply radar defence systems

By Chris Sherwell in Sydney

THREE Australian-based international consortia are bidding for a lucrative A$800m (£394m) contract to supply a novel over-the-horizon radar system which will help defend the continent's northern approaches.

The office of Mr Kim Beazley, Defence Minister, confirmed yesterday that the three bidders were:

● Broken Hill Proprietary (BHP), Australia's largest company, through its aerospace and electronics subsidiary, in collaboration with Raytheon of the US. The computer group Logica is also believed to be involved.

● Telecom Australia, the state-owned telecommunications company, which has teamed up with Marconi of the UK.

● AWA, formerly Amalgamated Wireless of Australasia, which has linked with General Electric of the US and Transfield, the local construction group which recently won the Navy's A$5bn frigates contract with Blohm and Voss of West Germany.

The contract involves the supply and construction of three separate radar systems. They are located in central Queensland, northern Western Australia and near Alice Springs, in the arid heart of the continent.

When tenders closed earlier this week, the three consortia submitted some 27 volumes of documents which were in support of their bids.

The radar systems are part of a wider multi-billion dollar procurement programme designed to increase Australia's self-reliance in defence.

It includes F-18A jet aircraft, Sikorsky Black Hawk helicopters, fleets of diesel-powered submarines and light patrol frigates and an airborne early warning system.

Jindalee, an Aboriginal word meaning "bare bones", is a ground-based over-the-horizon radar system which can detect aircraft movements as far north as Singapore.

Described as Australia's "northern eye", it was successfully used in the recent Kangaroo '89 military exercise which deployed Australian and US forces in the north of the continent.

After experiments in the 1970s, the present more powerful system was installed in 1981 north-east of Alice Springs.

Employing the same principle as short-wave radio broadcasts, it uses an array of radiating cables to bounce high frequency signals off the ionosphere, and then detects distant moving targets with large receiving antennae.

Mr Beazley's office said it would take months for the bids to be examined and no announcement of a successful bidder was likely until early next year.

The contract would take some years to fulfil.

The Buenos Aires red tape begins to unravel

British exports to Argentina will take time to pick up again, **Gary Mead** reports

SINCE August 3, British exporters have again been free to sell their products direct to Argentina – rather than resort to triangulation. This follows the Argentine Government's decision to lift a trade ban against UK products.

But one company based in Buenos Aires has been legally importing British goods for several years. According to Mr Richard Herbert, who runs Export Resource Management (ERM)*, which besides advising businesses on trade with Argentina has since 1983 actively traded with Britain, the ban on UK goods "was in writing". The previous Argentine Government, under President Raúl Alfonsín, refused to put the ban in writing because that would have opened Argentina to accusations of restrictive trade practices.

Not only could the British Government have taken reprisal action: it could also have taken the case to international institutions keen on eliminating barriers to free trade, such as the International Monetary Fund and the World Bank, with which Argentina has enough problems.

So, rather than place formal restrictions on trade with Britain, the Alfonsín administration preferred the tried and trusted means of bureaucratic obstructionism. Mr Herbert explained how it operated.

"To import any product you must apply for a *Declaracion Jurada de Necesidad Importar*, or DJNI, from the Secretary of Trade. The DJNI certifies that there is a legitimate need to import the product, ie that no local manufacturer makes the goods or that the local version is different. Without the DJNI you have no legal right to import foreign goods. Obtaining a DJNI is normally a relatively fast procedure. But with British products it was almost impossible.

"When the application for a DJNI for a British product was fed into the Trade Secretariat's computer, it automatically rejected the application. And that was that. Your application would then disappear in a maze of bureaucratic fuddle. The crafty thing was that prior to applying for your DJNI you had to deposit, in cash with the central bank, 10 per cent of the Free On Board value of your proposed import.

"It was impossible to get that deposit back, even though it was clear that the DJNI application was being endlessly delayed. When one asked for the deposit to be returned the official answer was always: 'But the application for the DJNI has not yet been decided'."

That situation at least has changed: DJNI forms for British goods are now, according to Mr Herbert "almost automatically approved". He hopes the whole DJNI process, a form of non-tariff trade barrier, will go early in 1990 under pressure from some member nations of the General Agreement on Tariffs and Trade.

The end of DJNI will also suit President Carlos Menem's drive to slash the state bureaucracy – some 8,000 civil servants are believed to be employed in operating the DJNI system.

In mid-1984 Mr Herbert legally broke through the unwritten trade ban by persuading sympathetic Argentine officials that one product was highly useful for Argentina, and that no local producer could compete. After much patient wrangling he obtained legal permission to import from Amersham International (the first state-run UK company privatised by Mrs Margaret Thatcher, in 1982), radioactive diagnostic kits for human medicine.

Mr Herbert said: "I argued that the trade ban was set up by the Argentine Government in order to damage Britain. By barring the product I was interested in bringing in, the Argentine consumer was being more damaged than any British interest. Fortunately even in those days there were some officials who applied common-sense rather than prejudice."

Before that, in 1983 he explored importing bovine semen from the England and Wales Milk Marketing Board.

"The MMB has wonderful statistical evidence to back up its predictability claims. In Argentina 45m cows have to be made pregnant every year. With the semen I import from the MMB I can offer Argentine farmers better than a 90 per cent guarantee of the type of product they will get from the semen. No one can offer that service here."

Nevertheless, it took a further three years before the necessary paperwork, involving agreement between the UK Ministry of Agriculture and Fisheries and its counterpart in Argentina on health tests, before imports started moving.

Mr Herbert believes it may be some time before there are signs of UK exports recovering from last year's £13m to the £161m of 1981, the year before the Falklands War.

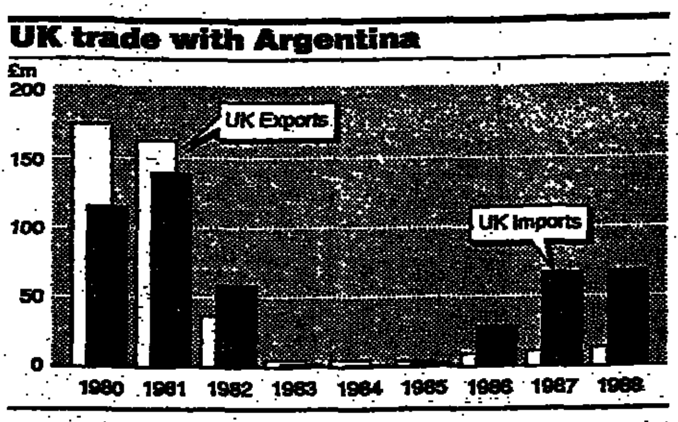
"After the recent announcement of the relaxation against British goods, the Latin American Trade Advisory Group (Latag), a Department of Trade and Industry sub-branch in London, sent a telex to the British Chamber of Commerce in Buenos Aires. The DTI telex said that it was interested in sending an exploratory trade mission as soon as possible in the light of the new developments, and mentioned October this year as a possible date.

"The chamber's reply telex said that everyone here is too busy trying to stop their business from collapsing, and that the trade mission should not come before April 1990. Given all the bureaucratic tangles in the Argentine system that's a ridiculous response. It takes at least six months to start trading after the initial move is made. Many people have grown comfortable living with this moribund state of affairs, and worry about future competition."

It is now an increasingly open secret that Mrs Thatcher's advisers are planning a Latin American trip for her in 1990. Although diplomats on both sides of the divide suggest it is still too early for her to visit Buenos Aires, perhaps by then there will be some practical trade reasons to prompt, if not her visit, then that of substantial British prime ministers.

**Export Resource Management SA, Avenida Corrientes 932, Buenos Aires 1043, Argentina. Telephone 396-1112; telex 25498 ERM SA-AR.*

UK trade with Argentina



Afro-Arab initiative on investment

ARAB and African nations hope to inject zest into a flagging 12-year-old campaign for Afro-Arab solidarity with new deals to foster investment and trade ties, Reuter reports from Cairo.

Finance ministers from both sides will meet in Washington this month to iron out statutes for a new institution to promote and guarantee Afro-Arab investments.

It will have $500m capital and is one of several projects on the drawing-board including a draft agreement for a Free Trade Area.

Mr Ide Oumarou, secretary-general of the 50-member Organisation of African Unity, said: "Afro-Arab co-operation has, maybe, finally, taken a decisive turn towards concrete form".

Mr Oumarou, attending a recent debt seminar in Cairo, said the ministers would meet at the World Bank and International Monetary Fund annual meeting scheduled for September 26 to 28.

The quest for solidarity took on added significance with the election of Egypt's President Hosni Mubarak as OAU chairman in July – the first Arab leader to hold the post for many years.

Delegates to the annual OAU summit in July reaffirmed their commitment to strengthen African and Arab ties in all fields.

Some acknowledged, however, that efforts since the only Afro-Arab summit to date in 1977 had been disappointing.

Soviet Union prepares to strengthen ties with Chile

By Barbara Durr in Santiago

MR Nicholas Zinojev, the Director-General of the Soviet Chamber of Commerce, is in Chile preparing a visit by a Soviet commercial delegation for later this year.

Mr Zinojev is the first Soviet citizen to be granted an official visa to Chile since General Augusto Pinochet took power in a coup in September 1973.

Although there has been some trade between the two nations since 1973, diplomatic relations have remained severed.

The Soviet visit is part of a recent Chilean effort to open new markets in the East bloc. In July a delegation of the private Chilean Exporters Association made a tour of East Germany, Poland, Czechoslovakia and Hungary, where they signed letters of intent to increase bilateral trade.

Water supplies still run deep in Chinese relations with Hong Kong

By John Elliott in Hong Kong

HONG KONG has a 15-year old little used water de-salination plant for sale. Obscure though this may seem, it is politically significant because it demonstrates the British colony's continuing faith in its co-operative relationship with Peking, despite tensions over details of its return to Chinese sovereignty in 1997.

For almost 30 years Hong Kong has become increasingly dependent on China for its water supplies, as well as other commodities such as vegetables, pigs and rice. It has never been let down by China, despite occasional political tensions, and this year nearly 70 per cent – 600m cubic metres – of the colony's potable water is being drawn 85km inside China from the East River, tributory of the famous Pearl River.

Supplementing this, the remaining 30 per cent comes from rainfall on Hong Kong which is stored in two offshore reservoirs. There is also an additional 110m cubic metres of sea water used each year in its original salty state to cool air conditioning plants and flush toilets.

Hong Kong's water demand has increased by an average of 8 per cent a year over the past 20 years, slowing to 6 per cent in the 1980s. This far exceeds the population growth of 1.2-1.5 per cent and has been generated by fast industrial growth, and by the extension of mains water supply to all but 30,000 of the 5.7m population.

Such growth would not have been possible without the supplies from China which started in 1960 with a modest 23m cubic metres. As relations with China eased, the supplies increased and are now covered by an agreement which runs up to 1994-95. This stipulated 500m cubic metres for this year is to increase by another 100m cubic metres because Hong Kong's reservoirs are depleted by poor rainfall.

Mr K L Wong, the director of water supplies, expects to start talks soon on a new post 1994-95 agreement, which he hopes will increase the supply to 1.1bn cubic metres a year by around the year 2003.

In 1975 a HK$390m ($50m) water desalination plant was installed to reduce the reliance on China. But processing the water is six times as expensive as buying it from China and more importantly, Hong Kong seems to feel secure in its water relationship with China and no longer sees the plant as an important alternative source. So it is being sold as a political and operational irrelevence.

Officials say that there has never been any indication that China would threaten to cut off water supplies as part of some row with Hong Kong, and there has been no sign of any problem in recent weeks when tensions have increased because of British and Hong Kong demands that the Chinese army should not be stationed in the territory after 1997.

But that is not to say that the reliance on Chinese water is politically irrelevent. For years, British and Hong Kong officials have been sensitive to the ace that China holds and some say that this is one of the reasons why the UK has sometimes been reticent in its dealings with Peking.

COMPANY NOTICES

**C. ITOH & CO., LTD.
(ITOHCHU SHOJI KABUSHIKI KAISHA)**

TO: B.D.R. Holders

IMPORTANT NOTICE

Hambros Bank Limited ("Hambros") have been advised by C. Itoh & Co., Ltd. ("The Company") that the meeting of the Board of Directors held on 30th August, 1989 have resolved to issue new *shares to Shareholders. Particulars of the issue are as follows:*

1. As of 20th November, 1989 the Company will make a free distribution of New Shares out of a certain portion of the amount of the Stated Capital, such amount being an excess amount over the total par value, pursuant to the provisions of Article 293-3-2 of the Commercial Code of Japan. The amount of such portion to be arrived at by multiplying 50 Yen by the number of New Shares to be issued.
2. The New Shares will be allotted to Shareholders of record as of 30th September, 1989. At the rate of 0.05 New Shares for each share owned as of that date. Fractional shares will be sold en bloc and the proceeds distributed to the Shareholders entitled thereto.

All other necessary matters concerning the proposed issue will be determined by the Board of Directors of the Company.

Holders of Bearer Depositary Receipts (B.D.R.S) issued by Hambros will be informed in due course of the procedure to be followed to obtain their New Certificates (and any cash due to fractional entitlements), with respect to this issue.

6th September 1989 Hambros Bank Limited

**C. ITOH & CO., LTD.
(ITOHCHU SHOJI KABUSHIKI KAISHA)**

TO: Warrant Holders

Notice and adjustments of
Warrant Excercise Price to Holder of

ECU.100,000,000 2¼% guaranteed notes due 1991 with Warrants
U.S.$500,000,000 2¼% notes due 1992 with Warrants
U.S.$400,000,000 4⅛% notes due 1993 with Warrants
ECU.100,000,000 3⅛% notes due 1993 with Warrants
U.S.$1,000,000,000 4⅝% notes due 1994 with Warrants

Pursuant to Clause 4 (A) and (B) of the instruments under which the above described Warrants were issued, notice is hereby given that on 30th August, 1989, the Board of Directors of the Company resolved to make free distribution of shares of its Common Stock to Shareholders of record as of 30th September, 1989 (Japan time), at the rate of 0.05 New Shares for each share held.

As a result of such issue, the Warrant Excercise Prices at which shares are issuable upon the excercise of the Warrants will be adjusted subject to and in accordance with Clause 3 of the instrument.

Effective from 1st October, 1989 (Japan time). The Current Warrant Excercise Prices for the above listed issued are Yen 477.60, Yen 705.70, Yen 876.90, Yen 876.90 and Yen 1,025.00, respectively, the Warrant Excercise Price after adjustment will be Yen 454.90, Yen 672,10, Yen 835.10, Yen 835.10 and Yen 976.20, respectively.

6th September 1989 C.ITOH & CO., LTD.

C. ITOH & CO., LTD.
Announce the following:

At the meeting of the Board of Directors held on 30th August, 1989 the following matters have been determined.
The Interim Dividend for the year ended 31st March, 1990 shall be paid to Shareholders of final record as of 30th September, 1989.
The amount and time of payment thereof shall be held on 18th November, 1989.

6th September 1989
HAMBROS BANK LIMITED

Notice to the Holders of Warrants to subscribe for shares of common stock of Sanyo Special Steel Co., Ltd. *issued in conjunction with an* US$80,000,000 3¼% Guaranteed Notes 1992 and US$100,000,000 4⅛% Guaranteed Notes 1993

Notice is hereby given as follows:

1. On 5th September, 1989, the Board of Directors of Sanyo Special Steel Co., Ltd., resolved to make a free distribution of shares of its Common Stock to shareholders of record on 30th September 1989 (Japan time) at the rate of 2 new shares for 100 shares held.
2. Accordingly, the current Subscription Price (YEN 567) per share of the Warrants issued in conjunction with US$80,000,000 3¼% Guaranteed Notes 1992 will be adjusted to YEN 555.90 per share, and the current Subscription Price (YEN 856) per share of the Warrants issued in conjunction with US$100,000,000 4⅛% Guaranteed Notes 1993 will be adjusted to YEN 839.20 per share, both with effect from 1st October, 1989 (Japan time).

SANYO SPECIAL STEEL CO., LTD.
By:
The Taiyo Kobe Bank Limited
as Principal Paying Agent
Dated: 5th September, 1989

LEGAL NOTICES

POWERWARE LIMITED

NOTICE IS HEREBY GIVEN, pursuant to Section 48(2) of the Insolvency Act 1986, that a meeting of the unsecured creditors of the above-named company will be held at: Orchard House, 10 Albion Place Maidstone, Kent, on 14 September 1989 at 11.00 am for the purpose of having laid before it a copy of the report prepared by the Administrative Receiver(s) under Section 48 of the said Act. The meeting may, if it thinks fit, establish a committee to exercise the functions conferred on creditors' committees by or under the Act.

Creditors are only entitled to vote if:

(a) they have delivered to us at the address shown above, no later than noon on 12 September 1989, written details of the debts they claim to be due to them from the company and the claim has been duly admitted under the provisions of Rule 3.11 of the Insolvency Rules 1986; and

(b) there has been lodged with us any proxy which the creditor intends to be used on his or her behalf.

Please note that the original proxy signed by or on behalf of the creditors must be lodged at the address mentioned; photocopies (including faxed copies) are not acceptable.

Dated: 30/8/89.
N J Vooght
Joint Administrative Receiver.

SHALEE DEVELOPMENTS LIMITED

Registered Number 2203681
Nature of business: Dealers in property.
Trade classification: General construction & demolition
Date of appointment of administrative receiver(s) 15 August 1989
Name of person appointing the administrative receiver(s): National Westminster Bank Plc.
C J Hughes and J M Thompson, Joint Administrative Receivers (office holder no(s) 2041 and 5263) of Shelley House
3 Noble Street
LONDON
EC2V 7DQ

PERSONAL

PUBLIC SPEAKING. Overcome the fear and nervousness of public speaking. Phone Leadership Skills Training 01-800 2197

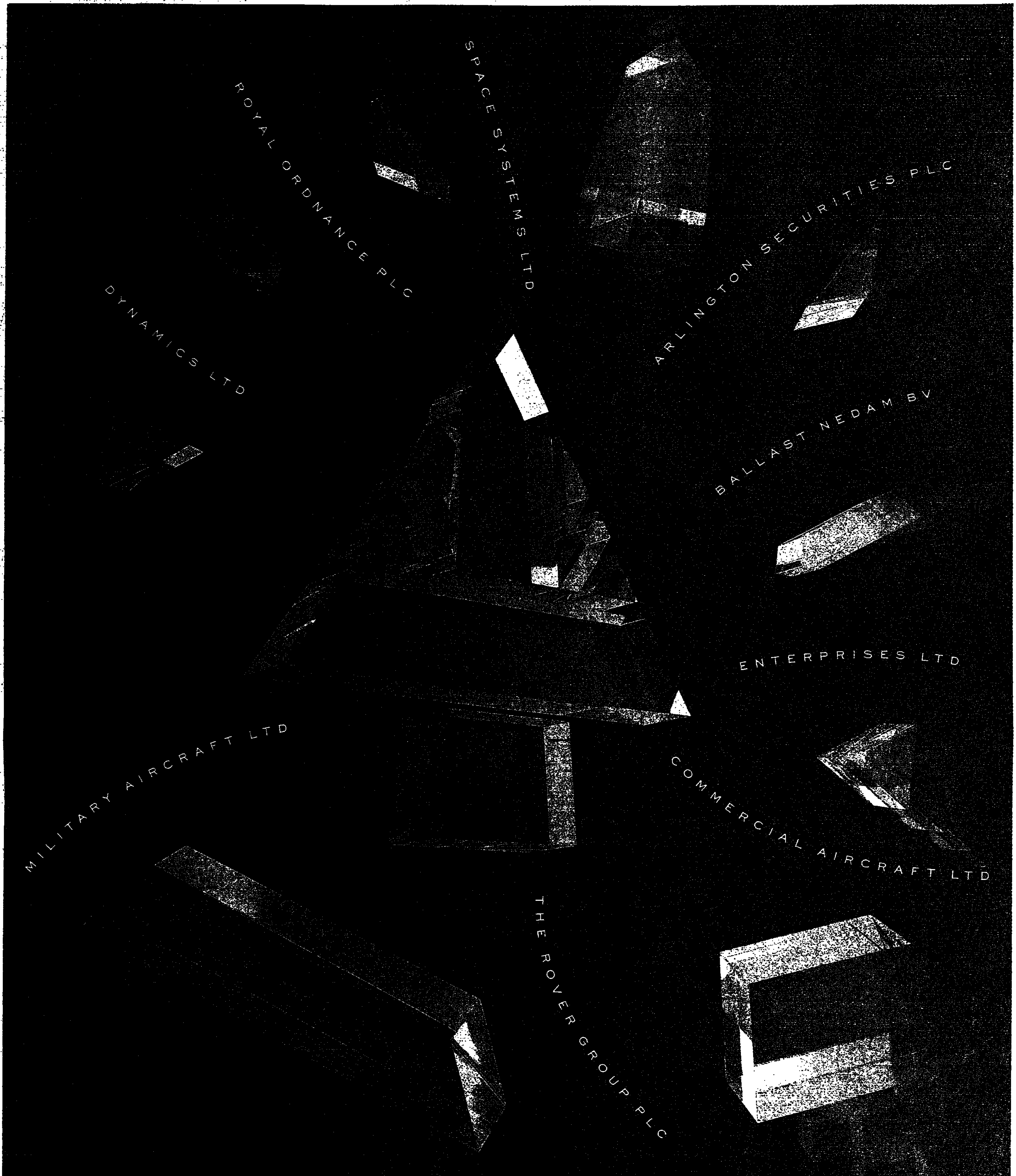
ART GALLERIES

CRANE KALMAN GALLERY "A Selection of paintings" Boudin, Burra, Chadwick, Conder, Hepworth, Hoffmann, Lowry, Moore, W.Nicholson, Matthew Smith, Ruskin Spear. 178 Brompton Rd, SW3. 01-584 7566/5843. Daily 10-6; Sats 10-4.

CLUBS

EVE has outlived the others because of a policy on fair play and value for money. Supper from 10-3.30 am. Disco and top musicians, glamorous hostesses, exciting floorshows. 01-734 0557. 189, Regent St., London.

HOLIDAYS & TRAVEL



ROYAL ORDNANCE PLC
SPACE SYSTEMS LTD
ARLINGTON SECURITIES PLC
DYNAMICS LTD
BALLAST NEDAM BV
ENTERPRISES LTD
MILITARY AIRCRAFT LTD
COMMERCIAL AIRCRAFT LTD
THE ROVER GROUP PLC

Group directors may face liability for £6m losses

By Richard Waters

SIR Edward du Cann, chairman of Lonrho and a former Conservative minister, is among the former directors of a small financial services group who could face personal liability for part of the group's £6m losses.

This emerged yesterday when Mr Christopher Morris, appointed last week as provisional liquidator to Homes Assured, the defunct company, said that he was considering action against the directors under the 1986 Insolvency Act.

This makes directors personally liable if they are found by a court to have continued trading when they knew, or ought to have known, that their company was insolvent.

In addition to this so-called "wrongful trading" provision, individuals may be banned from holding office as company directors.

Mr Morris said yesterday: "I do not want to prejudge anything. But wrongful trading is something we are actively investigating."

Also facing the risk of personal loss is Mr Douglas Perryman, a former British Telecom finance director, who was a

Du Cann: risks part liability

non-executive director of the group.

According to records at Companies House, the group's two other directors are Mr Eric Orbell, a former general manager of Commercial Union, and Mr Michael Robinson. A further director, Mr John Sadiq, resigned at the end of last year.

The liquidators are also understood to be investigating whether Dominion Holdings, a Cayman Islands-based group which is listed as holding 29 per cent of Homes Assured's shares, acted as a "shadow director" of the group. If so, it also may be made partly liable.

The company, set up to help council house tenants buy their homes, ran up losses of £6m in the 19 months to July.

The company said the directors were taken by surprise by the scale of the losses. These only became clear in recent weeks when two insurance companies – Legal & General and Criterion – attempted to claw back commissions they had paid to the company for endowment policies, he said.

Mr Morris, however, said the directors should have known about this possibility. "They were aware of their contractual relationship with the insurance companies," he said.

The Homes Assured directors became aware of the scale of the problem at the start of August, when they tried to put together a rescue package.

Sir Edward resigned after this, but before the board decided to seek voluntary liquidation last week. However, under the Insolvency Act directors cannot escape liability by resigning.

Few home comforts for those who rested assured

Richard Waters on the costs of corporate failure

A HANDFUL of financial institutions, up to 20,000 council house tenants and a former chairman of the Conservative party – Sir Edward du Cann – are all potential victims from a corporate collapse which emerged at the end of last week.

All were involved with Homes Assured, a company which existed for less than two years but which managed in the process to run up losses of around £6m. How it managed this will be the subject of much attention in the weeks ahead.

Homes Assured was a product of the Thatcher era: a company set up to help council tenants to buy their houses or flats, which they have been able to do since the "right to buy" legislation of 1980.

The 20,000 people who were drawn by its advertising were offered help with the paperwork to buy their property. They were also sold an endowment mortgage, and home improvement loans once the sale had been completed.

Homes Assured's income was meant to come from three sources. Most was to come from the commissions from selling endowment policies. The company sold Legal & General policies until last summer, and then switched to Criterion Insurance.

Neither side will explain why the arrangement with Legal & General fell apart.

The second source of income was to be commissions from selling home improvement loans. The company projected that it would take up to each council house sale to go through. It was only after this that it would be able to earn the home improvement commission.

The third source of income was from people who had bought their houses and did not take out a home improvement loan. These had to pay £350-£500 to Homes Assured, although the company claimed that this was less than it would have cost them to arrange the purchase by themselves.

The company began trading in 1987 but business really picked up in early 1988. About four weeks ago, the directors realised the extent of their financial difficulties and tried to put together a refinancing deal. Last week the liquidators moved in.

Homes Assured blames its demise on the councils from which its clients were trying to buy their houses, the insurance companies with which it did business – on almost everyone, in fact, but itself. But its short history reveals a catalogue of mismanagement.

First, the company was set up with hefty overheads. In the year and a half to the end of July its overheads ran to £7m. It had four major subsidiaries, each with their own accounting and other functions (it decided to centralise these in April this year). There were 11 branch offices and, at its peak, a sales force of 400 people (although these people were paid on commission).

The bills were impressive for such a new company: £500,000 on computers, £300,000 for postage and packing, £200,000 on advertising, £150,000 of legal fees, accountancy fees of £100,000, and so on.

The company's downfall, though, was its reliance (at least until sales were completed) on commissions from selling endowment policies. It claims to have sold 16,000 Legal & General policies and 4,000 Criterion ones. Legal & General refuses to comment on the matter, saying that the matter is in the hands of its lawyers, though Criterion confirms the figure.

The problem for Homes Assured was that it was banking on only 20-25 per cent of clients cancelling their endowment policies. In these situations, the insurance company issuing the policy would claim back much or all of the commission it had paid.

In the event, three quarters of all policy holders cancelled – far more than had been expected, and leading a massive clawback of commission. Homes Assured claims to have been surprised by the level of these cancellations, which it says only became apparent in recent weeks, and blames the insurance companies for not keeping it more up to date.

In particular, it says that Legal & General just two weeks ago asked for the return of £750,000 – the first time it had attempted to claw money back since last December.

Mr Christopher Morris, the provisional liquidator, is forthright about this claim: the directors knew the terms of their deal with the insurance companies, and so should not have been surprised when they were asked to return to commission.

The situation only became apparent to the Homes Assured board at the start of August. Soon after, Sir Edward du Cann tendered his resignation.

One of the main creditors standing to lose from the failure is Dominion Holdings, a Cayman Islands-based financial services group (and nothing to do with either Dominion International or Dominion Insurance) which had lent the company around £2m.

Ironically, Dominion is one of those which may be made liable for part of the company's debts, if it is established that it acted as a "shadow director".

Among the losers – although many of them may not realise it – will be several thousand council tenants who wanted to buy their houses. Around 15,000 appear to have cancelled endowment policies, and will have received little if anything back of the contributions they paid.

A further 3,000 are near to completion of the purchase of their properties. They have yet to find out whether these deals will go ahead, or whether they too will become victims of the Homes Assured collapse.

Panasonic plans free homes with skilled jobs

By Michael Smith, Labour Staff

PANASONIC (UK), the consumer electronics company, is planning to offer homes-with-jobs packages to potential employees in one of the most imaginative responses yet to growing skill shortages.

The company, which is the British arm of Matsushita, the Japanese group, expects to spend about £1m buying property near its Bracknell offices, west of London, for the project. Its initiative has been prompted by vacancies amounting to almost 10 per cent of its workforce.

Although more companies are providing mortgage assistance it is rare for employers outside the brewing and agricultural sectors to provide homes as part of employment packages for permanent staff. Panasonic could find no others when it researched its scheme.

The company believes the potential employees will find the flats provided a more attractive perk than company cars. Mr Michael Kenton, director, says that in spite of the initial investment the programme will be "a darn sight cheaper" for Panasonic than a car scheme.

Once the company has acquired the property, which is likely to be in either Bracknell or Sandhurst, it aims to advertise for staff in areas of high unemployment, such as the north-east of England.

Workers employed will receive salaries similar to those they could expect to find in the north but their accommodation will be provided free. Most will be expected to share the flats with one other employee.

BTA campaign aims to attract Japanese to UK

By David Churchill, Leisure Industries Correspondent

BRITAIN'S tourist industry plans an all-out campaign to attract the new wave of Japanese tourists expected to travel overseas in the early 1990s.

The move was announced yesterday by Mr Michael Medlicott, chief executive of the British Tourist Authority, on the publication of the BTA's annual report.

Senior officials from the BTA are travelling to Japan later this month to establish tourist links between Japan and the UK.

He pointed out that the UK could benefit from the Japanese Government's aim of encouraging some 10m Japanese to travel abroad by 1991. Mr Medlicott said that BTA forecasts suggested that by next year, the Japnese market could be worth over £375m to the UK in terms of foreign earnings, compared with £200m last year.

The BTA's campaign to woo the Japanese will include efforts to change the 'masculine' image of Britain, said Mr Medlicott. "We will heighten our 'Ladies Britain' promotion in Japan to emphasise the more 'feminine' faces of Britain," Other steps will include organising seminars for the travel trade, and helping the tourist industry to "understand the special needs and sensitivities of the Japanese traveller."

TUC CONFERENCE

Unions call throws Labour into turmoil

By Charles Leadbeater, Labour Editor

LABOUR'S POLICY on trade union law was thrown into turmoil last night after the TUC unanimously approved a controversial motion calling for union funds to be protected during industrial disputes.

However the Congress seems almost certain to back the party's revised defence policy in a debate tomorrow.

The motion on industrial relations law calls for trade unions to be protected from claims for damages from employers or sequestration during an industrial dispute.

Labour's specialist industrial relations advisers will meet on Tuesday to discuss the policy review in the wake of the motion.

Labour officials admitted that several key issues were yet to be resolved. These include the definition of a lawful trade dispute, how injunctions would be granted, what sanctions unions might face for unlawful action and when a union would be counted as having authorised industrial action.

The group which helped draw up the policy review report will address these questions during meetings in the next few weeks. Among the suggestions due to be discussed is that trade unions should have some form of limited liability and that a labour relations court should be established to consider applications for injunctions.

Willis: facing turmoil with opposition Labour Party

Mr Neil Kinnock, the Labour leader, played down the significance of the vote, which he said was broadly compatible with Labour's policy. However the Government pounced on it as evidence that Labour and the union movement's conversion to pre-strike ballots was half hearted.

Mr Norman Fowler, the Employment Secretary said that without the right to claim damages neither employers nor employees would be able to enforce their rights to be protected against unlawful industrial action.

The motion would restore blanket immunity for unions. "That would mean a union could not be sued whatever they did, it would place unions above the law and no remedy would be available to anyone affected."

The key clause in the motion was moved by the 1.2m-strong TGWU, in the wake of this summers' docks strike which involved the union in weeks of legal argument during which it faced sequestration of its assets.

Mr Bill Morris, the TGWU's deputy general secretary, told the Congress: "We cannot be free to protect our members if we do not have a clear protection from being sued, having injunctions slapped on us and being sequestrated."

Mr Michael Meacher, the opposition Labour Party's employment spokesman, said after the debate that there was a danger that restoring full trade union immunities from actions for damages would make it seem that the unions were above the law. "That could be misunderstood as going back to the pre-1979 position, which we are determined not to do."

TGWU leaders played down the potential conflict with Labour policy. The policy review report, People at Work, is almost certain to be approved at this October's conference, with TGWU support.

● The Trades Union Congress yesterday voted to urge all its affiliates to refuse to handle imported waste as part of a wide-ranging commitment to the protection of the environment.

The "greening" of Britain's trade union movement was confirmed at the end of one of the most impassioned debates of the Congress so far.

Mr Norman Willis, the TUC's general secretary, attempted to reconcile the potential conflict between rising public concern about the environment and the trade union movement's long-standing commitment to job creation and growth.

Government defends privatisation plans

By Peter Norman, Economics Correspondent

THE GOVERNMENT yesterday defended its planned privatisations of Britain's water and electricity industries as good for the consumer and the environment and leading to a more efficient use of resources.

Speaking at a conference on privatisation at the Glasgow Business School, Mr Peter Lilley, the Financial Secretary to the Treasury, said that the Government's main concern through privatisation was to improve the supply side of the economy.

He disputed the view that the public sector utilities were natural monoplies and that they could not benefit from the disciplines of free enterprise.

The Government was introducing competition into activities such as electricity generation. Where a monopoly could not be sensibly broken up, "the profit motive is a powerful spur to satisfying customers and the efficient use of resources," he added.

Mr Lilley pointed out that privately owned utilities must also compete in capital markets for funds to invest while the share price quotation "acts as a constant goad to improved results." Mr Lilley also challenged the view that public ownership of utilities benefitted the consumer and the environment.

He said that where the government has the dual role of owner and regulator "the regulatory function has tended to play second fiddle". The water authorities had "combined incompatibly the role of provider of water supply and sewage disposal with that of environmental watchdog policing those tempted to pollute rivers and seas," he said.

Mine to benefit from law

By Maurice Samuelson

A FORMER British Coal anthracite mine in South Wales may be the first to benefit from the Government's intention to increase the number of miners that private companies can deploy below ground.

Ryan International, the Cardiff-based private mining group, had planned to reopen the Pentreclwydau drift mine in Neath, with 30 workers - the maximum permitted under the 1947 coal nationalisation Act.

The mine, opened in 1967, was closed after only two years. Ryan says it can make the pit pay by using a different method of mining from that chosen by British Coal.

Mr Frank Jackson, group managing director, yesterday said that Ryan would now consider employing more than 30 men there there because of the Government's forthcoming announcement raising the limit to 150 men.

Nevertheless, Mr Jackson said that the new 150 men limit was still insufficient to enable much of British Coal's redundant capacity to be operated by the private sector.

Ryan, which employs 1,000 miners throughout Britain, has also proposed reopening the Marine colliery in South Wales closed a year ago. It contains reserves of high grade coking coal for the steel industry and, according to mining union officials, was closed because of difficulties in moving in supplies and getting out the coal.

BT to keep price rises within rate of inflation

By Hugo Dixon

BRITISH TELECOM (BT), the national telephone newtork, has agreed not to increase its prices for private telecoms circuits, which generate £800m in revenue each year, by more than the rate of inflation, as part of a deal with the Office of Telecommunications (Oftel).

BT has also promised Oftel, the telecoms watchdog, it will invest heavily in improving the quality of its private circuits over the next four years and to pay customers rebates if it fails to meet new quality targets.

At the same time as announcing the agreement, Sir Bryan Carsberg, Oftel's director general, defended his overall policy against criticism he has unfairly penalised BT to help Mercury Communications, its smaller rival.

He also sought to defuse a controversy raging in the telecoms industry over the Government's decision to promise Cable & Wireless, Mercury's parent, a new personal communications licences, designed to create a mass market in mobile communications.

The controversy has centred on rumours that Lord Young, who announced the licence when Secretary of State for Trade & Industry, is considering joining C&W's board. But Sir Bryan made clear that the decision was based on his advice: "I initiated the discussions that C&W should be given a licence."

The price cap on private circuits will run for four years, but because BT has frozen prices since March last year, will be allowed to increase prices by 11.3 per cent - the amount the retail price index rose in the 16 months to July.

Philips joins consortium with GEC and Plessey

By Hugo Dixon

PHILIPS, the Dutch electronics group, has joined a consortium led by the General Electric Company and Plessey, which is bidding for one of the UK's new personal communications licences.

Personal communications are designed to create a mass market in mobile communications. Two or three licences are due to be granted by the end of the year, with the GEC/Plessey consortium considered one of the front-runners. The inclusion of Philips increases chances that personal communications will be adopted in other European countries.

Philips is taking a 5 per cent stake in the consortium.

A further 5 per cent is being taken by Kingston Communications, which runs the telecoms network in Hull.

There is, however, concern that other countries could boycott the system, leaving the UK with a incompatible system.

Swiss company to invest £5m

LANDIS AND GYR, the Swiss-based manufacturer of electricity meters, payphones and building control equipment, is investing £5m in a factory at Telford for electronics-based measuring equipment.

The company said yesterday it expects to open the plant, which will concentrate on making domestic electricity meters, at the end of next year. The workforce will be expanded to about 200 within six months. The group's facility in West London, which employs 200, will be kept on for the time being.

UK NEWS

Views conflict on future prospects for the North Sea industry

Oil companies predict slow decline

By Steven Butler

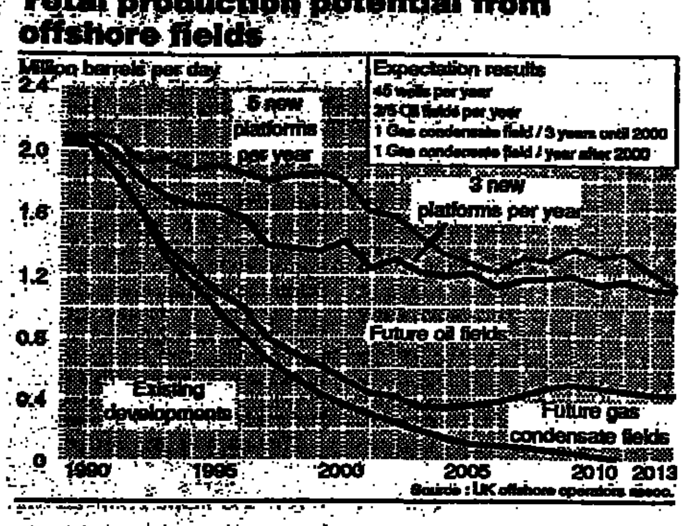
THE UK Offshore Operators Association (Ukooa) yesterday published a bullish 25-year forecast for British oil and gas production in which oil production could be as high as 1.4m barrels a day in 2013, compared with more than 2m today.

The association, which groups together oil companies operating in the North Sea, implies only a gentle decline for the UK oil industry. Although estimated production would be unlikely to meet all of Britain's oil needs by the end of the period, it would supply the great bulk of it.

The study concludes Britain would be able to meet its gas needs without recourse to imports well into the next century, and foresees gas production at 6bn to 8bn cubic feet (bcf) a day in 2013.

The study is based on a poll of Ukooa members and statistical projections of known exploration and development trends. It assumes a broadly favourable business climate and does not include some factors that could have a big impact on production, such as technical innovation.

Total production potential from offshore fields



The most important variable affecting future production rates turns out to be the rate of new platform construction. The study takes as an average three or possibly five new oil-field developments a year; six new gas platforms a year; and one field of gas condensates, a light hydrocarbon containing liquids and gas, every three years from 1993 to the end of the century, with one field per year after that.

Based on this level of activity, the offshore industry is expected to make £14bn to £25bn in cumulative capital expenditures by the end of the century, and £3.7bn to £7.8bn in spending for expenses.

Oil output from fields currently in production is expected to fall by half by the mid 1990s, while gas production from current fields should be halved by the year 2000.

Most of this decline will be compensated for by 160 undeveloped discoveries that contain 6.4bn barrels of oil and 33.4 trillion (million million) cubic feet (tcf) of gas. By the next century gas condensate fields, which are currently undeveloped, will come to play a bigger role in supplying Britain's gas needs. Excluding gas from condensate fields, gas production could increase to 5bcf a day by early next century, but could rise to 8bcf should gas condensate discoveries come on stream.

The development of gas production would also be affected by uncertainties about the future of the gas market, where the Government is trying to encourage competition, and on policy on gas imports.

Pessimistic forecast in offshore service and supply industry

By James Buxton, Scottish Correspondent

A NOTE of pessimism was sounded yesterday in the UK offshore oil service and supply industry by one its main spokesmen yesterday.

Mr Ian Wood, chairman of the Wood Group, the Aberdeen-based offshore services group, told the Offshore Europe Exhibition and Conference in Aberdeen, the industry "was not looking forward to the future with unbridled confidence".

His view contrasts with the upbeat mood about prospects for North Sea oil and gas, buoyed by the current upturn in development activity and optimistic long-term forecasts.

Mr Wood said oil companies were squeezing the supply and service companies too hard and criticised the poor performance of the UK supply industry in overseas markets.

He said that oil companies had a "schizoid" approach to the supply industry, parts of which were still "fighting for survival" after the collapse of the market when the oil price collapsed in 1986.

The result was often an unbalanced performance by the contractor.

As a consequence, he warned, the supply industry would be unable to play its role in achieving technological breakthroughs.

The small technology companies which provided the seed corn for future growth and development would struggle badly and were already showing a poor survival rate. Mr Wood called for suppliers and oil operators to work together more as partners than adversaries.

He called for longer term service contracts with a better risk sharing. Mr Wood said the UK supply and service industry's share of the international market was "woefully short of what it should be," bearing in mind that the UK continental shelf has been the main proving ground for the world offshore industry for the past 20 years.

This included the performance of the many foreign-owned companies which operated from the UK.

"Government ministers make ever more ambitious pronouncements on the major contribution the industry is making worldwide, but no figures are available," he said.

He said the UK's share was more like 5 per cent than 10 per cent of the world market. He called for a government study of overseas opportunities and the UK industry's role in them.

Mr Peter Morrison, the energy minister, said he was considering such a study.

He had recently established an oil industry export advisory group which involved major companies.

Unleaded petrol sales corner 24% of market

SALES of unleaded petrol went on rising last month and now account for almost a quarter of the UK market, the Government said yesterday.

In the past year sales have risen from 0.8 per cent to 24 per cent.

Mrs Virginia Bottomley, Environment Minister, has described the increase as "dramatic." She said a poster campaign would be launched this month at all MoT testing stations to encourage even more motorists to switch to unleaded fuel. She also urged manufacturers to encourage dealers to convert used cars.

In a letter to car manufacturers, Mrs Bottomley said the sale of new and used cars already adjusted to use unleaded petrol would help to overcome the obstacle of persuading motorists to have their cars converted.

United to spend £3.5m on factory in Ulster

By our Belfast Correspondent

UNITED Technologies, the American manufacturer of car wiring harnesses, is creating 250 jobs at its Londonderry factory in a £3.5m project backed by Ulster's Industrial Development Board, it was announced yesterday.

An extra 190 workers have already been recruited and the other 60 jobs will be added within the next three years, bringing total employment to more than 600.

Mr Richard Needham, Ulster's Economy Minister, said the expansion resulted from increased sales. The company's customers include the biggest European car makers.

United Technologies is the 16th largest company in the United States with total sales of $18bn and 200,000 employees worldwide.

● Britain is desperately short of computer specialists with experience of, and the ability to teach, one of the more important new information technologies.

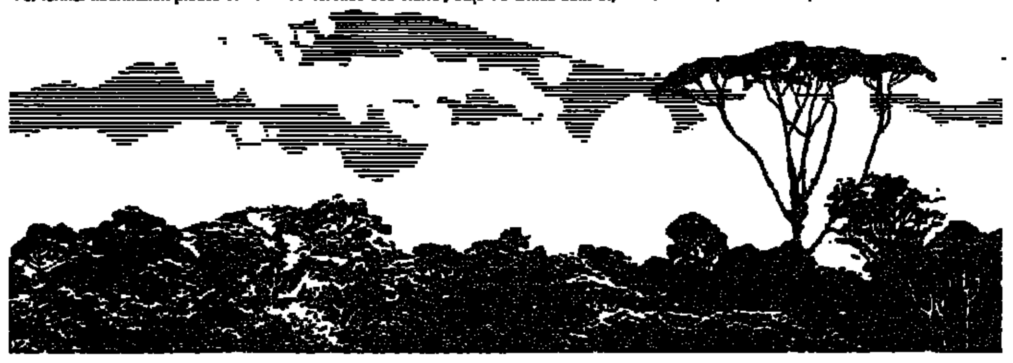
As a consequence, International Computers (ICL), has decided to establish its first training development centre specialising in the technology – Unix software – in the Republic of Ireland where it can take advantage of the country's abundance of highly qualified young people.

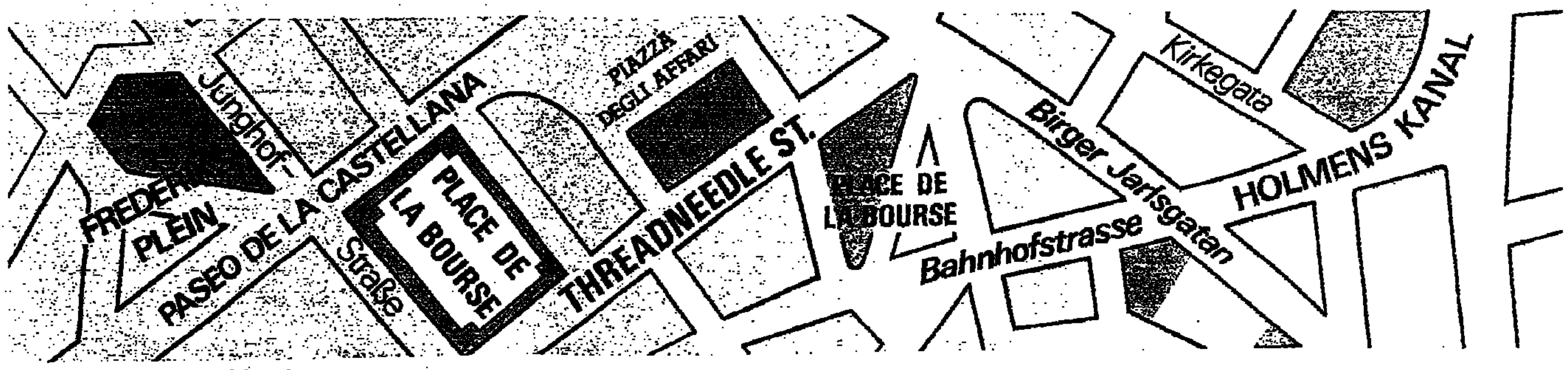
Result expected on Harland bid

THE OUTCOME of the management-employee buy out of Harland and Wolff, the Belfast shipbuilder, will be announced on Friday, Our Belfast Correspondent writes.

It had been thought that the company would be able to disclose the level of share applications today but the deadline for receipt of completed forms was extended to facilitate late applications.

Around 80 per cent of the workforce is understood to have applied for shares to date but many workers took advantage of the extended deadline to seek further advice about investing in the buy out.



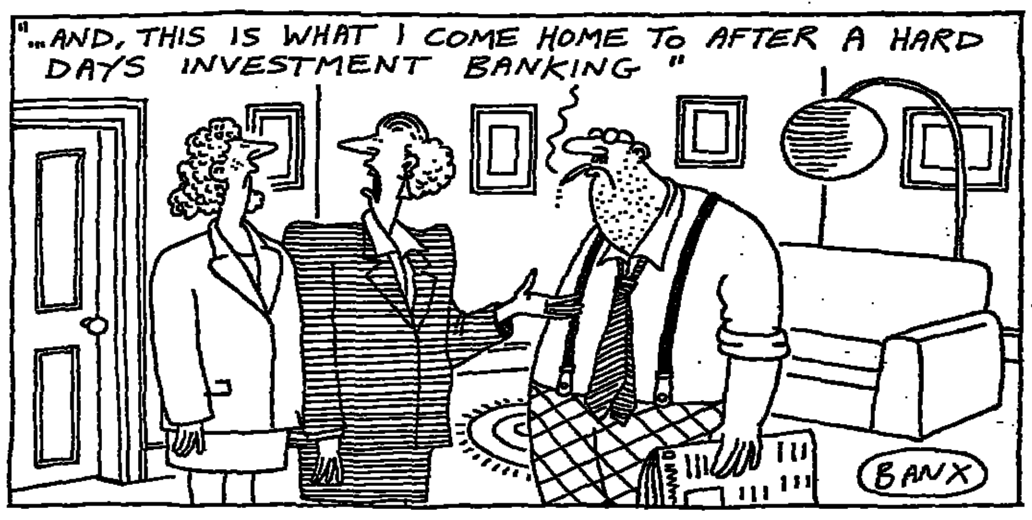


MANAGEMENT

Career decisions

A study of working life

Andrew Jack explains the value of a scheme which allows female American students to spend a week shadowing a role model



When Heather Douglas, a student at Radcliffe College in the US, decided to spend her spring holiday with a doctor she got more than she bargained for. After five days of studying a doctor's life – by watching Dr Vanaja Ragavan at work, and spending the nights at her house – she decided to cancel her plans to attend medical school.

It is difficult for any student to imagine what life will be like when he or she starts a first full-time job. But it is more difficult for young women in the 18-21 age group to find a role model who can show her how she pursues a career and leads a fulfilled home life.

Opportunities for sampling the world of work are relatively high for American students; many are employed part-time, and work experience – so-called "internships" where the students are attached to an organisation during the working day – is widespread. But a few years ago, Radcliffe, the female part of Harvard, introduced a programme to give its students a taste of what life is like as a working woman around the clock.

"It's all about successful women helping those that are just coming along," says Grace Huffakere, a Radcliffe graduate who helped found the "externship" programme in 1977. The so-called "extern" students live with their "sponsors" as well as shadowing them at work.

"There is a strong commitment by our alumnae to share their experience," says Radcliffe's dean of students, Philippa Bovet. Her assistant, Stephanie Beukema, says: "We focus on balancing professional and personal life, and on the juggling required when a woman works full-time outside as well as inside the home." With the help of a student, Beukema devotes half her time to running the scheme.

This spring, 63 Radcliffe externs took part in the scheme for a week in April. Placements on offer included time with women lawyers, doctors and teachers, but also with a dance therapist, a self-employed weaver and an organic farmer. There was a "creative home-maker" and a PhD candidate, too, though neither found any takers.

"What the students want constantly changes," says Beukema. "During the 1980s they have increasingly been asking for glitzy Wall Street banking and law jobs." It can be difficult matching the sponsors' and externs' aspirations and personalities. "Applicants may look as though they've been aiming at investment banking since age four," she says, "but often they really have no idea what they want to do."

Some sponsors want externs who are seriously interested in that particular career. But others are much more flexible. Lucy Conant, a farmer in western Massachusetts, says: "They come to spend a week doing something different: being outdoors, making maple syrup, doing physical work."

Eight years ago fewer women opted for fast-track careers. Andrea Kiersted was sponsored by a retired nursing instructor who ran a sheep farm, and then a year later with a woman who ran a day-care centre.

She later became a sponsor herself, offering a place for a student to work with her in a soup kitchen in Baltimore. "My sponsors introduced me to new things which I thought would be fun to try," she says. "They were a release from the school's pressures."

Sharon Beckman, who graduated in 1980, points to more focused gains. Her week with a lawyer rekindled her childhood interest in the profession. "I had been put off the idea at Harvard, where everyone was interested in corporate law and not the people side. My sponsor got me excited again." She applied to law school, and is now working with a criminal defence and civil litigation firm in Boston.

"But the most valuable lesson I learned was that you can be a wife, a mother and a professional," adds Beckman. "I was struck by the fact that my sponsor didn't have to miss out. She showed me that you can't expect everything to go smoothly, but you can work and have a family."

The lessons are the same for more recent externs. "The home-stay gave me a rounded-out view of the whole lifestyle," says Heather Douglas. The fact that she is now having second thoughts about being a doctor proves the success of the externship programme. "I've decided I don't want to spend nine years training for this career."

Jill Shapiro, another student who stayed with a doctor says: "I had done some secretarial work in a hospital before. But I was interested in observing what a doctor actually does all day. My sponsor was very good about including me in everything she did."

Mary Psychas, who shadowed a senior executive in the American Youth Hostels Association, says: "I learned a lot. It made me more aware of the kinds of things women are doing, the jobs you can get without having to go to graduate school, and things like the importance of the town or city where you want to work."

Beukema says that the women are very young and tend to think in absolute terms. "They think, 'if it turns out wrong my life is over.' When sponsors show them that they don't have to make all their big decisions now it can be very reassuring."

Aida Press, Radcliffe's director of public information, has sponsored several externs in the past. "They do whatever we do," she says. Although most students passively shadow their sponsors, Press likes to get hers to write and do research. She is also one of the few sponsors who does not offer accommodation. "I need a little life for myself."

Beukema admits that recently-married husbands do sometimes object to the live-in arrangement. "But most of the women are thrilled at the prospect of having this intelligent, vital life in their house. They find it very exciting to spend time with someone with so much passion and energy."

"I just love it," says Frederica Brenneman, who was Connecticut's second female Superior Court judge. "I don't think the kids can possibly enjoy it as much as I do. I adore that age group, and I keep in touch with my externs afterwards."

Brenneman stresses the importance of the students living with her for the week. "That way you can build up a fairly accurate picture of what a person does all day, and how you can juggle all those things at the same time. We talk a lot about husbands, babies and cooking as well as work."

"That's the best thing," says Portia Weiskel, the organic farmer. "Being with us round the clock shows them the funny nonsenses of life. We send them back with one way of putting their knowledge into practice."

Paediatrician Roselyn Kolodny feels that there "still aren't really a lot of good female role models in medicine. The extern programme gives me the chance to get across my point that you can raise a family and work, and be reasonably successful at both. And a lot of that happens round the kitchen table."

On the downside, says Margaret Nelson, a law partner, "being with anyone 24 hours a day can be a little on the tiresome side." Another sponsor wrote on her evaluation form that she felt she was being treated "rather like the mother of a teenager."

The externs' education was not just limited to the overall picture. Several sponsors made comments about students' punctuality, or inappropriate dress for work. Nevertheless many of them volunteer year after year.

There has been some discussion about allowing men from Harvard to join the scheme. Some sponsors are strongly opposed. Rosemary Kolodny is less worried, but says: "It isn't so important for them. Men still have so many more opportunities."

"I don't mind, personally," says Beukema. "I think men wouldn't be as socially comfortable participating, and they would be less willing to open up. But getting them in the home would certainly be an eye-opener for them."

"Women are still more responsible for the home, though," says Brenneman. "I think they are more concerned about professional incursions on private life."

"We have years of building relationships with alumni," says Martha Leape, head of Harvard's Office of Career Services. "They are very loyal, and have active graduate associations."

An attorney, Sharon Tisher, became a sponsor this year. "I have been out of touch, but now I've been inspired to make a substantial contribution to the alumnae fund for the first time."

Andrew Jack was the Choate Memorial Fellow at Harvard 1988-89.

Executive time

The managers with a magnificent obsession

Michael Skapinker demonstrates that a company's direction is determined by its chief executive's subconscious priorities

Business schools. Authors of management best-sellers. Speakers at management conferences. Journalists writing on this page. We all have one thing in common: we think we know what it is that managers do and how they could do it better.

Yet researchers like Henry Mintzberg, professor of management at McGill University in Montreal, have demonstrated that managers themselves do not know what it is that they do. Ask them, Mintzberg says, and they will tell you that they plan, organise, co-ordinate and control.

Observe them, as he did for a week at a time, and you see something entirely different. Managers rush from one activity to another. Half of their activities last for less than nine minutes.

Alain Noël of the Ecole des Hautes Etudes Commerciales in Montreal has carried out another study in the Mintzberg tradition. He, however, observed three chief executives for a month each, sitting less than 10 feet away from them throughout their working day. He claims that this is the longest continuous observation of top managers at work.

To start with, he, too, found that the daily activities of the senior executives were chaotic and disorganised. The longer he watched them, however, the more he was able to detect continuity in their various actions.

Eventually, he was able to describe the activities which dominated their days. Noël argues that these activities not only set the strategic agenda for the organisation but reflected the chief executives' personal obsessions.

At the end of his month with each of the three, Noël asked the question again: "What do chief executives really do at work? To say that they write, speak, phone or meet to play managerial roles remains unsatisfactory. Chief executives do not spend their time arbitrarily but concentrate on activities they feel are crucial to the survival or growth of the firm."

Having someone watching your every move for a month is not to the taste of all chief executives. Twenty turned him down. Three agreed to be observed, however, and Noël has described the results in the Strategic Management Journal.

The first of Noël's subjects was Paul, the head of a non-profit institution set up to help handicapped people live a normal life. Paul himself had lost his eyesight at the age of 23.

The second executive was Louis, the head of a medium-sized advertising agency. He was one of many French-speaking advertising entrepreneurs who prospered in Quebec in the 1970s.

Name-dropping

The third chief executive who let Noël watch him work was Marcel, who owned a manufacturing company 90 minutes away from Montreal.

One thing Noël noticed about Paul over the month he spent with him was how often he mentioned important people's names. "The list included the Prime Ministers of Quebec and Canada and other influential people in business and politics," Noël says. "These names were dropped as if Paul knew the people personally, but he never contacted any of them."

He did, however, spend a great part of his working day talking to less important politicians and lobbyists. He spent far more time building and maintaining contacts than looking at the quality of work his employees carried out. At home, between 4 am and 7 am, Paul worked on his organisation's budgets and instruction manuals.

Louis spent much of his time with his creative staff at the advertising agency, paying close attention to the detail of their work. He was particularly keen on cutting costs.

Unlike other advertising agencies, his had no expensive carpets or furniture and his employees did not have individual offices. His work dominated his life. He had recently got divorced and seldom took holidays.

Marcel devoted his time to a wider range of activities than the other two. His attention ranged from new project development to operations, to sales, to personnel management. Much of his time was devoted to customers. He insisted on personally reviewing price quotations given to them.

Noël concluded that by devoting more or less time to particular issues, the chief executives demonstrated to their subordinates which aspects of the company's work they should regard as important.

Paul indicated that gaining political support was more important than serving the organisation's customers. Louis made it clear that keeping costs down should take priority over looking for new clients. Marcel's actions indicated that customer service should be his company's major priority. That was why he looked at all the price quotations himself.

It is always worth examining those activities which the chief executives, surprisingly, insist on carrying out themselves, Noël says. Writing manuals, checking price quotations or designing a television commercial could probably be done by someone more junior. By doing them himself, the chief executive reveals something about the organisation's priorities.

Noël adds that "analysing the activities of chief executives over a month revealed more than continuity; they seemed almost obsessive."

Paul was obsessed with the need to be autonomous and to survive. Hence his attempts to cultivate important political contacts, and also his insistence on writing the organisation's procedure manuals himself. Louis appeared obsessed by the need to make money. By constantly cutting costs he ensured that he did so. But his organisation failed to grow. Marcel was obsessed with quality. Unsurprisingly, his organisation was the most successful of the three.

Strategic Management Journal, Summer 1989.

AT POWERGEN, WE'LL ALWAYS BE LOOKING FOR NEW SOURCES OF ENERGY.

The Central Electricity Generating Board is being replaced by competing generating businesses.

PowerGen will be one of them.

Our aim is to provide the most cost-efficient and reliable source of electricity in England and Wales.

We believe that one of the best ways to achieve this is through the efficient use of natural resources.

That's why we'll always be examining the potential of interesting new sources of energy.

One of the more unusual being refuse incineration.

POWERGEN

THE EMERGING COMPETITION.

PowerGen is currently a division of the C.E.G.B.

Element of surprise in high-tech curriculum

David Thomas finds no haven for tradition in the first of the UK's City Technology Colleges

Anyone wandering into a City Technology College — one of the new wave of technology-oriented schools — is likely to be in for a surprise.

CTCs are already among the most controversial of the UK Government's educational initiatives, even though only three are so far in existence — Kingshurst, in Solihull, launched last year, and Middlesbrough and Nottingham, opening this month.

The schools draw on business sponsorship for part of their capital costs, but they rely on central government for the bulk of their lavishly equipped classrooms and for their day-to-day expenses. This has prompted the Labour Party and the teaching unions to attack them for syphoning off resources from the rest of the state sector.

Yet perhaps the most threatening aspect of CTCs for the traditional educational establishment is their zest for experimentation. Outside local authority control and exempt from the national curriculum, they are free to construct their own timetable. Although all will be committed to giving technology a central role in the classroom, each CTC will yield additional surprises.

Consider the two CTCs opening this month. The Nottingham CTC is introducing a novel pattern of industrial relations and term structure: all its teachers have signed a no-strike agreement and are to work a five-term year. It is also introducing a strong vocational flavour into its studies.

Middlesbrough CTC, for its part, is putting a heavy stress on Spanish. All its teachers will learn it, partly because it is a personal interest of the principal, but also because it is one of the world's most widely spoken languages.

Until the advent of these two, the only working model of a CTC was to be found on a bleak part of the Solihull-Birmingham border. Many people have assumed that CTCs, as one of the Conservative Government's most favoured education projects, will try to spearhead a return to traditional methods. A visit to the Kingshurst CTC soon dispels this misconception.

I dropped in on Kingshurst towards the end of one of its regular two-week breaks from the normal timetable. Once a term the whole school abandons its routines to work on projects around a single theme; on this occasion, time.

Matthew and his friends have assembled the electronics for a clock of the future — a decimal clock with 100 seconds in a minute, 100 minutes in an hour and 10 hours in a day. Vicky and her pals have composed, dubbed and recorded pieces of music with references to time woven into them. Julie, whose hobby is keeping birds, is doing some work on metamorphoses in animals. Spencer and Stephen are writing a computer game set in the future.

Several things stand out as you move through the school's corridors, bumping into little knots of children working on these and a dozen other projects. One is the children's remarkable self-confidence in describing their projects, considering that, as the first intakes, they are aged only 11 or 12. The second is that they are working largely unsupervised, even on the school's array of expensive computers.

Valerie Bragg, Kingshurst's bustling and dynamic principal, draws a link between the two: "I believe that if you trust them and give them their freedom, they will return that trust."

But perhaps the most interesting facet of these projects is the way in which technology is integrated into their heart, rather than being seen as a bolt-on extra.

For the two weeks, the school's pupils are first divided into groups of about 36, with three teachers allocated to each group. Typically, the three will have different specialisms, one being a scientist, another a linguist and the third a historian. They then advise the children, in smaller groups, on different facets of their work. Clint's project on the evolution of cars, for instance, could involve reading up the history of the car, as well as making models in the school's workshop.

The teachers continually assess the children, rating their performance as "basic, intermediate or advanced" in several aspects of their work, such as ability to use equipment, presentational flair and analytical skills. At the end of the project, the assessments are recorded on the school computer and are open to inspection by the parents, who also visit an end-of-project exhibition.

Building technology into the heart of teaching is an attitude mirrored in the school's wider curriculum. "Technology is a tool. It is something we use to improve the quality of all our lessons," says Bragg, stressing that she does not see it as a discrete subject segregated from others in the timetable.

First year pupils are given a grounding in what the school calls core skills, such as word processing and working with lathes. After the first year, however, the timetable looks much as in most secondary schools, the difference being that pupils are expected to use their core technological skills in every subject.

Another difference is that the children will have much more contact with employers, drawing partly on the school's links with the dozens of sponsors who have added their names to the two principal backers, Hanson and Lucas Industries.

Bragg envisages that many of the older children will have extended periods of work experience. She hopes 80 to 90 per cent will stay into the sixth form, even though the school's catchment area is relatively poor, but foresees many of them doing vocational courses such as those which fall under the wing of the Business and Technician Educational Council (BTec).

For pupils who want a more academic route, the CTC is casting around for an alternative to A levels, such as the international baccalauréat based on the French system. "I doubt very much if we will have any A levels. It's an outdated exam and it's time something else took over from it," says Bragg, demonstrating once more the capacity of CTCs to surprise.

In view of the lavish resources and extensive links with companies that the first CTCs will enjoy, it will be surprising if they are not quickly regarded as beacons of local excellence. The stiffer test is whether they begin to affect the climate of opinion in the majority of schools. Otherwise, they could eventually be regarded as little more than curiosities since only 20 are planned in total.

Pupils get their hands on video editing equipment at the Kingshurst CTC

Wind of change in a tunnel with thinking walls

By Andrew Wiseman

An "intelligent" wind-tunnel with flexible walls — for three-dimensional studies of spacecraft and aeroplane models — has been successfully tested by engineers of the Technische Universitaet in West Berlin.

Sponsored by the German Research Association (Deutsche Forschungsgemeinschaft — DFG), a national body that co-ordinates scientific research, Professor Uwe Ganzer, of the university's Institute for Air and Space Travel, says that this work has not only improved wind-tunnel measuring techniques but also saves time.

A wind-tunnel is a comparatively simple structure: an enclosed passage through which a controlled air flow is forced at various speeds so that static scale models or their parts can be subjected to aerodynamic tests.

In a standard wind-tunnel, the distance over which such tests are carried out is fixed and the walls around the model help to control and restrict the air stream.

To a considerable extent, the accuracy of tests is conditioned by the distance of these four walls from the model. If they are too close or too far from it, they bend the air stream. Any such undesirable deviations are increased or reduced by the contour of the walls: the faster the air flow, the greater the likelihood of such "wall-interference".

Clearly, it is essential to prevent any unwanted turbulence or air-flow contortions from impinging on the accuracy of the tests. Although modern wind-tunnels, with their split or perforated walls, provide an escape route for the air flow, they still do not create totally precise wall contours which could cope constantly with any given flow.

To achieve this the Berlin engineers have developed a system of "intelligent" walls, which automatically adjust themselves to the air flow at any point of its journey. The system ensures that all walls are precisely controlled for sub-sonic or sonic air-flow speeds.

In the flow area of an air stream, there exists an equilibrium between pressures exerted towards and away from any model.

By measuring the air stream pressures along the inside of tunnel walls (with the outer contours remaining straight), the Berlin engineers were able to work out the pressure distributions for a fictitious air stream stretching into infinity. The difference between the calculated, external, and measured, internal, pressure distribution gave them the information they needed to design the tunnel.

The team then proved that any correct wall contour could be created in two or three stages. There was no need to know anything about the flow surrounding a model. Only flow conditions in the immediate vicinity of the wall had to be taken into consideration.

To achieve a self-adaptable measuring distance, the researchers designed a wind-tunnel with eight walls, instead of the customary four. Each of these flexible walls can be altered two-dimensionally, providing a good approximation of a three-dimensional flow area contour.

Every wall is held up and shaped by 10 joints, linked to electric motors. A series of potentiometers constantly monitors the contour of the walls and steel slats seal the gaps between them.

The system's "intelligence" is controlled by a network of microprocessors. They interrogate the pressure distribution within the tunnel and the contours of the walls, adjusting them as necessary. It is fast, reliable and accurate, and the hardware is comparatively cheap.

The new wind-tunnel has already proved itself to be capable of dealing with all air-flow speeds. Ganzer is convinced that "it will ensure a marked increase in the reliability of wind-tunnel calculations and reduce the number of measurements needed."

Towards a propulsion system that enables a ship to 'swim like a fish'

A certain amount of envy has always been evident in the expression to "swim like a fish." Inspiration for an improvement in the performance of ship's propellers, or screws, has come from the mode of propulsion used by large fish, such as sharks, and the cetacean mammals — whales and dolphins.

Not all fish have the same mode of propulsion. The way the cetaceans and sharks swim is described as carangiform, meaning that the lateral body movement is greatest at the tail. In addition their tails have a large aspect, which is the ratio of the tail's span to its chord. To imitate this, a mechanical finned tail needs to be constructed of a similarly large aspect with a mechanical system that imitates the animal's movements. The tail is flexible and the behaviour of its various parts is phased.

The theoretical side of the use of a flexible foil as a propeller was investigated as far back as 1938. Interest then lapsed, but papers on the subject started to appear again in the 1960s. It was probably not until 1975 that real progress was made and it has become rapid in the last 10 years, particularly through work at Glasgow University, Memorial University of Newfoundland and the Chalmer University of Gothenburg.

Most recently Einar Jakobsen, a Norwegian researcher, has taken out a patent to cover certain aspects of the foil propeller in connection with a rigid horizontal foil wave motor — a closely allied subject.

The development of a propulsion system involving a flexible foil has been assisted by progress in reinforced plastics which, according to Professors R. C. and P. S. K. Lai of Glasgow University, combine high tensile and bending strength with great flexibility and good resistance to fatigue. They have been studying which combination of size relationships, materials and modes of motion results in the highest speed and efficiency; and how such propellers can be made and sold.

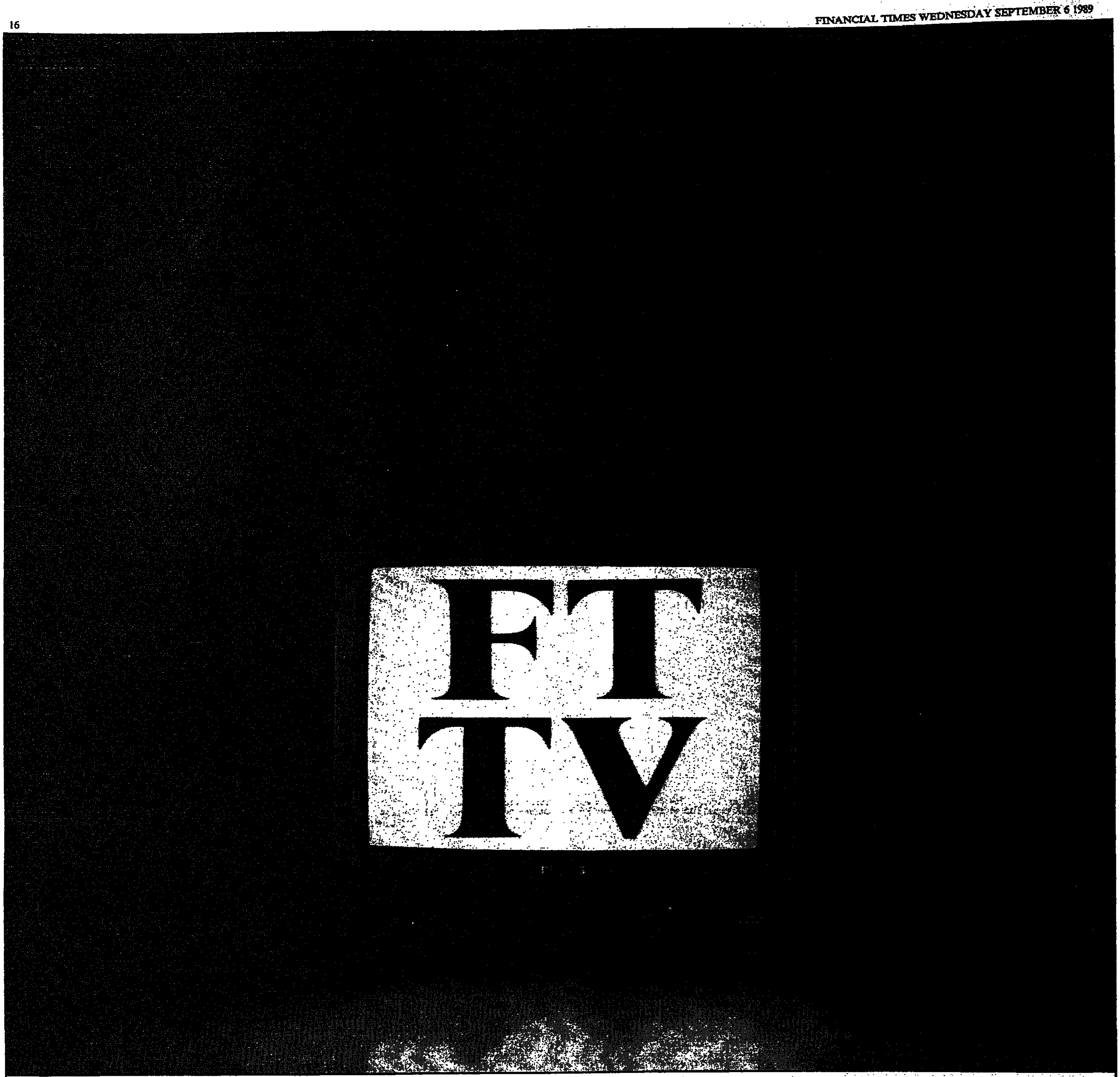
The ships likely to benefit would be below 1,000 tonnes, where the conventional screw propeller gives an efficiency in the region of 60 to 65 per cent. A flexible fin propeller with an aspect of 4, far less than nature has given to sharks and whales, could achieve an efficiency of 70 per cent.

Calculations reveal that with an aspect of 10 the propeller should have an efficiency of 85 per cent. An improvement from, say, 62 per cent to 85 per cent would significantly reduce the fuel bill, according to the Offshore Research Focus published by the Department of Energy.

Best results are obtained when the fin's heave and pitch are 90 degrees out of step: when one is at its peak the other is zero and vice versa.

For a ship of, say, 66 m length such a propeller is a practical possibility. The smaller the amplitude of movement, the more effective the propulsion system, which is all the more advantageous since it is reasonable to assume that a small ship's propeller would not be deeply submerged.

Michael Swiss



OVER 2 MILLION BUSINESS PEOPLE WILL SEE OUR SCREEN DEBUT.

How do we know? Well, that's how many people in business around the world are already watching European Business Weekly.

The programme acquired by the Financial Times as its first and important venture into broadcasting.

It addresses the topics and issues of the week from a European perspective. Keynote interviews with leaders of state and industry are a central feature of the programme.

This level of comment and analysis together with the importance of the issues covered is what draws over 2 million of the business community from Stuttgart to Seoul from Geneva to Galveston, to use the programme as a regular part of their business briefing.

EUROPEAN BUSINESS WEEKLY

And what will the FT bring to the party? Well, the European perspective will be broadened by calling on the experience and expertise of its journalists in all the major European business centres.

The FT's unrivalled database will enable even deeper analysis of commercial, financial and economic issues.

The FT's financial resources, through its newly formed company FTTV, will mean increased investment in programme production and a commitment to bringing 'European Business Weekly' to even greater numbers of business people in Europe and around the world.

As we can now say, 'No FT . . . no TV comment'.

European Business Weekly is broadcast on Super Channel throughout Europe, on the Financial News Network and 55 city stations across the US, on 8 international airlines and in the rooms of the world's leading business hotels.

TELEVISION

Pi briefs Om on World War Two

In a galaxy not too far away, lights are burning late in Room UK52 in the Central Broadcast Monitoring Unit deep below the surface of the planet Ulanova. The Chief Monitor, whose name is Om, is conferring with a subordinate, named Pi, who is responsible for analysing all British television output from the planet Earth. The Chief Monitor is anxious to hear what Pi makes of the stupendous increase in the number of war programmes monitored in the past seven days. The reason that Ulanova has received these broadcasts so swiftly is that it has learnt to utilise post-Einsteinian phenomena which enable it to scoop in television signals from nearby galaxies at speeds vastly in excess of the speed of light. Otherwise it wouldn't get them.

"So," said the Chief Monitor, "Britain's television screens are suddenly awash in programmes commemorating the outbreak of World War Two 50 years ago? Plays. Documentaries. Docudramas. Archive footage. Films. Blockbuster specials. Musical spectaculars. They're overdoing it, aren't they? Do they intend to keep it up? Are they planning to rerun every second of WW2, or just the best bits – Dunkirk and so forth? This could go on for years."

"I have no information on that," Pi replied. "But WW2 was very much the Brits' show. They were fighting an honourable war and they were fighting it on their own. *They* were the goodies. And the locations were marvellous, as were the uniforms. It's a natural for television."

"Are the programmes any good? Is anybody watching?"

"I haven't received the ratings," Pi told the Chief Monitor, "but they are making a good fist of it. We've seen some excellent television. Take last Thursday, when ITV kicked off with *Countdown To War*, described by the network as a dramatic interpretation of the events leading to the declaration of war. There was a good script by Ronald Harwood, an excellent use of Pathé footage and some tip-top acting: Peter Vaughan as Goering, Barrie Rutter as Mussolini, Michael Aldridge as Chamberlain and Ian McKellen, who is only a few rôles short of a knighthood, brilliantly convincing as Adolf Hitler. A rather tall Adolf Hitler, it has to be said. But here, you felt, was the monster himself: mesmeric, sinister, subtle, intelligent, sweeping everyone up in the folds of his madness."

"I am sure it sold a lot of petfood," said the Chief Monitor testily. "But did it give us any idea as to how the whole mess started?"

"Well, it sort of did," said Pi. "Things were all very confused, of course. Hitler was throwing his weight around and didn't seem to believe that the British would go to war if he took a swipe at Poland. Chamberlain didn't *want* war, but he had mis-read the mood of the country and of the House of Commons. So, when Hitler invaded Poland, Chamberlain had no choice but to declare war on Hitler, who seemed exceedingly surprised. There wasn't any logic to it – quite possibly it was all an accident, a misunderstanding – but that's how wars start down there on Earth."

"How about the BBC?" the Chief Monitor asked.

"Oh, they have done famously," his subordinate told him. "To get things rolling, someone had the bright idea for *News 39* in which Sue Lawley read the news just as it was happening 50 years ago: London readying for the blackout, the assault on Poland, Chamberlain declaring war. Plenty of splendid footage. An unqualified success.

"But the BBC paced things nicely – saved its ammunition for an all-out attack on Sunday, the day war broke out, when BBC 1 ran six hours of WW2, starting with that black-and-white classic of the cinema, *The Dam Busters*, in mid-afternoon. I don't care how many times I see it, I still grow mushy when the chaps of 617 Squadron skip their little bomb – such a primitive toy, really – along the surface of the water and accomplish their mission. We had *Songs of Praise* from Plymouth Hoe, a play about Bomber Harris, *News 39*, *Everyman* and a repeat of *The Miller Mood*, a tribute to the great Glenn.

"ITV tried to keep up with them, of course. They had a chirpy documentary on the RAF's No 1 Fighter Squadron which they screened immediately after the umpteenth reshowing of the film *Battle of Britain*. And I thought that Harry Secombe gave us a particularly moving rendition of 'I Vow To Thee My Country' to mark the start of a new series of *Highway*, in the god-slot. What a remarkable song that is! Of course, being the god-slot there wasn't much of a discussion about God's role in WW2, or why He let it happen, or unleashed such barbarity, or created a monster like Hitler in the first place. Still, the god-slot isn't really *meant* to be about God. I mean, it *ignores* particle physics. But then we don't hear much from the creationists, either. It's all tremendously selective and unvaryingly cosy.

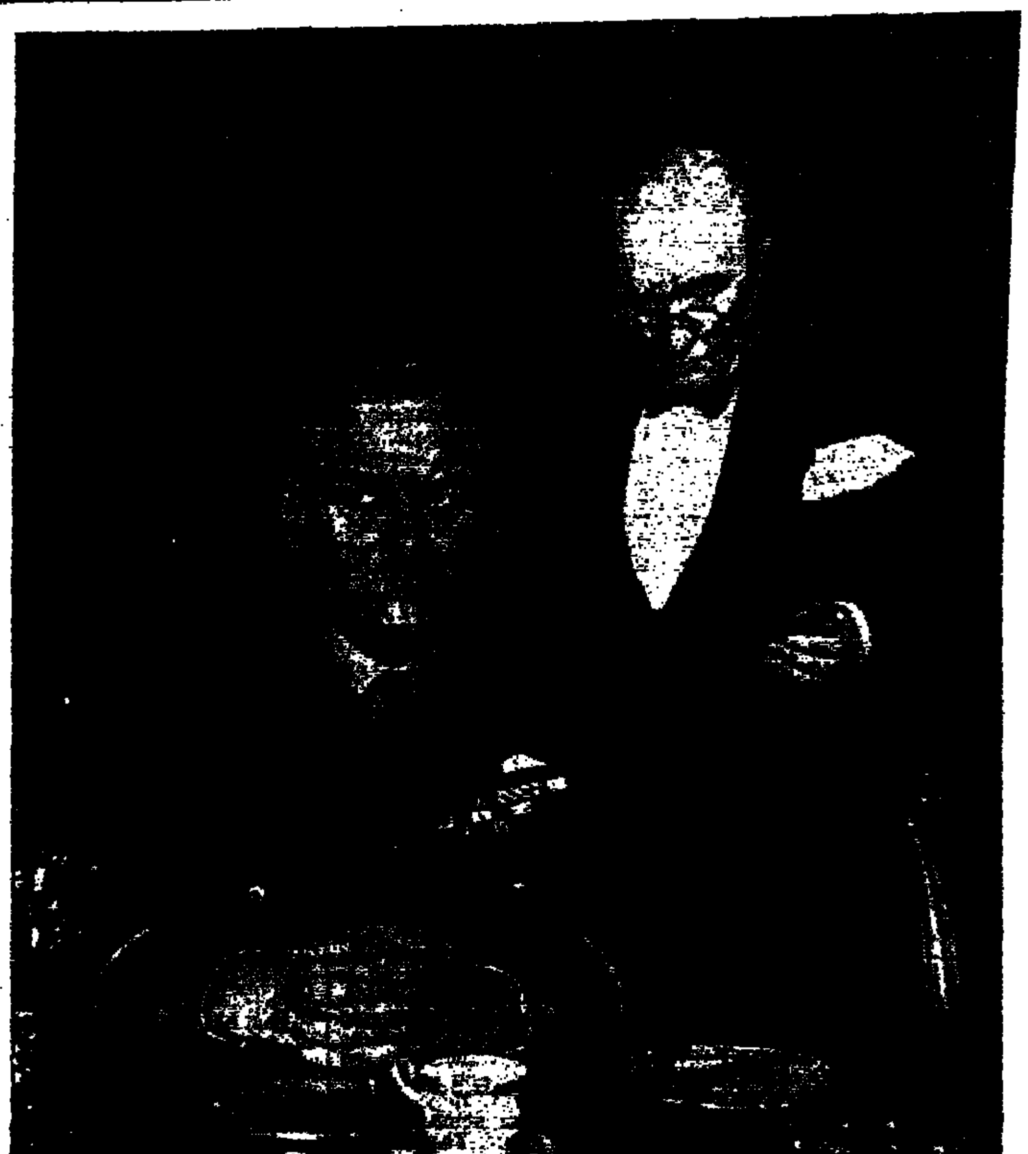
Ian McKellen in "Countdown to War"

"Unfortunately, ITV couldn't resist going completely over the top with *War And Remembrance*, one of those appalling blockbuster megabuck spectaculars so beloved by the dimmer type of advertiser in which – I quote – '*Starting in the days following the attack on Pearl Harbour, Captain Victor "Pug" Henry (Robert Mitchum) takes command of a cruiser, while at home his wife Rhoda (Polly Bergen) resumes her affair with Palmer Kirby (Peter Graves). In Singapore, Pamela Tudsbury (Victoria Tennant) meets an old love, and in Italy Aaron Jastrow (John Gielgud) and Natalie Jastrow Henry (Jane Seymour) attempt to escape to Palestine.*'"

The Chief Monitor waved his tendrils and changed from pink to blue. "This is all very well," he said, "but what about the ethics of the warfare business? Have they been discussed? I can easily appreciate that WW2 makes for splendid entertainment. But is anybody *learning* anything?"

"Possibly," said Pi. "*Bomber Harris*, for example, on BBC 1, was a first-rate drama about the saturation bombing of German cities. Bomber Harris was a fanatic, of course; but he had a better grasp of strategy than most of them put together. John Thaw played him to perfection. As head of Bomber Command, it was Harris's belief that he could consign the Third Reich to oblivion just by bombing it; that there was no longer any need for tanks and armies and land-based warfare; that by taking apart every German industrial city 'street by street and block by block,' he would remove the need for a land invasion by the allies and save 1m lives.

"Naturally, he ran into a spot of bother when Dresden was pulverised at Stalin's request so as to help facilitate the Russians' advance on Berlin. But as Harris said: 'All the German towns put together aren't worth the bones of a British grenadier.' What *Bomber Harris* brilliantly brought out was that in 1942 and '43, the last notions of romance and chivalry were disappearing from earthly warfare. The old rulebooks were about to be atomised. Asked about the ethics of bombing, *Bomber Harris* replied: 'There aren't any.'"



John Thaw and Robert Hardy in "Bomber Harris"

"So give me an overview," Om told his subordinate. "Has this great outpouring of WW2 material caused rioting or unrest? Are the politicians back from holiday, thumping their chests?"

"Of course they're not."

"Have the submarines been unleased?"

"Of course they haven't."

"I am pleased to hear it. But we have got to be alert. Earth, as you know, is a violent and primitive planet, but it is still extremely precious. Their techno-rating is 0.0000000000000001. In the view of the Grand Council, the only chance they have of progressing to 0.000000000000002 is if the viewers continue to receive a safe and predictable diet of calming entertainment."

"No problem there. The channels are launching their new autumn schedules. On Saturday, on BBC 1, we had *The Noel Edmonds Saturday Road Show* followed by *Bob's Full House*, then *'Allo, 'Allo*, then *Russ Abbot*, followed by *All Creatures Great And Small*."

"Who is Noel Edmunds?"

"Edmunds is a bearded person who makes jokes about the Japanese and about changing babies' nappies."

"Is he funny?"

"Of course he isn't."

"And who is Bob?"

"That's Bob Monkhouse. He makes jokes about toilets and about Michael Jackson. Then he gives out prizes. He's not funny, either."

"So apart from WW2, things are much as normal on British television?"

"You can say that again."

Michael Thompson-Noel

BBC Symphony

ALBERT HALL, RADIO 3

Monday night's Prom, a long and intriguingly varied programme expertly conducted by Oliver Knussen, marked the 75th anniversary of the foundation of the Performing Right Society. Alongside Debussy, Musorgsky and Stravinsky, all very much Knussen specialities, were his own exuberant *Flourish with Fireworks*, written last year to welcome Michael Tilson Thomas into his new post with the LSO, and premieres of substantial pieces by Minna Keal and John Tavener.

Keal's Symphony is by no means entirely new, though this was the first public performance of the complete work. Its first three movements were played at an SPNM concert in 1984, and the whole thing was broadcast by Radio 3 last year. Minna Keal's extraordinary return to composition in her eighth decade has been widely told; an awareness of the background and the symphony's genesis, five years in the writing, makes it hard to separate out the achievement of the work itself.

One might have expected something more craggily individual, *perhaps* with an unlikely collection of influences, but Keal's music turns out to be thoroughly schooled in an idiom which sits comfortably into the British conservative mainstream (Roberto Gerhard is in many ways the closest point of reference). The symphony is densely argued and deftly scored; its progress through a traditional four-movement symphonic scheme lucid and convincing. There are few moments of striking imagery, however, and one is left with the impression of a well-made, tense yet rather monochrome score.

Tavener's *The Protecting Veil* for cello and string orchestra is a BBC commission, a 35-minute meditation on the life of the Mother of God and the Orthodox feast which commemorates her protection for the besieged city of Constantinople. Tavener describes it as a "lyrical icon in sound"; the cello is hardly ever silent, and the effect is of an endless melodic stream to which the string orchestra generally adds punctuation and resonance.

It is throughly individual, haunting in a way similar to Arvo Part's recent works, and impelled by an equivalent religious faith. At the same time it is curiously ungraspable, and emotionally distancing in its archaic melodic refrains; even Steven Isserlis's impassioned cello playing failed to lend it warmth.

Andrew Clements

Davide e Betsabea

TODI FESTIVAL, ITALY

A handsome Teatro Comunale stands squarely in the centre of Todi; but it has been closed – officially under restoration – for years. And Silvano Spada, the energetic artistic director of the Todi Festival, now concluding its third edition, has had to invent performance spaces for the numerous attractions that cram his ten-day calendar.

Cinemas, abandoned chapels, ancient halls, even the main city square have been pressed into service. And, for this year's opening event, the audience was invited into one of the most beautiful Renaissance churches in central Italy, the isolated, harmonious Santa Maria della Consolazione, which if it was not designed by Bramante (as some historians have suggested), is in every way worthy of bearing the master's name.

The work being given there was Nicola Porpora's oratorio *Davide e Betsabea* (Grove calls her "Bersabea," surely an error), first heard at Lincoln's Inn Fields on March 12, 1734 and seldom, if ever, heard since. Todi chose to revive the piece also out of local pride, for the librettist was a son of the city, Paolo Rolli, long a London resident, librettist to Handel, translator of Milton, Italian tutor of the royal children. He spent his last years in Todi and died in a large, sober palazzo just to the left of the Duomo.

The Todi Festival Orchestra, an ad hoc group firmly led by the young Valter Attanasi, played a score "adapted" by Bruno De Franceschi, whose programme note was less than specific. Since no libretto was provided, either, it was hard to form much of an opinion on Rolli's text, also because the young singers were not notable for their enunciation.

Surely, the score was cut (the performance lasted not much over an hour), but what the public did hear was extremely agreeable. In fact, the critic could apply to it the same sort of evaluation usually applied to the works of Salieri, written half-a-century later: highly professional, interesting instrumental textures, fluent tunes, nothing indelibly memorable or in any way disturbing. As one would expect from the greatest singing-master of his time, Porpora's writing for the voice proved more inventive and arduous than his writing for the orchestra.

The young singers, musical but hardly experts, could give only an adequate idea of the music: the counter-tenor Stephen Woodbury (David) has the small, flexible, not particularly engaging voice that is usual for his category; Marie Stephane Bernard's soprano was also small, but *not unpleasant, and he was an* enjoyable, dim Betsabea.

In the smaller role of Abigail, Carmen Falaysa revealed more power and colour, though she was short on stylo. The Consortium Musicum chorus (Lubjana), after a ragged start, sang vigorously and well, dramatically filling the lofty, vaulted spaces of the Consolazione.

Though Todi's varied programme allots a fair amount of space to music, it is really a theatre festival, a festival for insiders, and you are, likely to see more actors in the house than on the stage. The generally small playing areas make chamber works, experimentation a necessity. Most of the works given are also fairly short – an hour is the usual length – and they follow one another (when they do not overlap) in dizzying succession.

Of the pieces given the opening weekend – which included an adaptation of the New York hit *Nunsense* – particularly entertaining was a confection entitled *La muse delusa* (the disappointed muses), staged by Filippo Crivelli and starring Gianfranco Mari, a portly, balding actor with an *extraordinary talent for* imitating, quirks and all, some of the leading sopranos and mezzos of our time.

Mari, extravagantly dressed as an 18th century "musico" (then costumed variously as the interpreted arias demanded), performed a repertory ranging from Bassani and Pergolesi to Donizetti and Verdi. His Donizetti, in particular, recalling a much-admired Turkish interpreter, was mordantly funny and, at the same time, somehow exciting. Actually, Mari has a big voice and uses it well. *Joking aside*, he would have been welcome in the Porpora oratorio.

At this stage in its career, the Todi festival still has the atmosphere, the charm, of a private party (it suggests Spoleto in its early, less popular days). It enlivens the city, but does not alter its leisurely pace or mar its beauty.

William Weaver

Trisha Brown

BATTERY PARK CITY, NEW YORK

New York, a friend of mine said recently, is now located in a rain forest; this summer, it seems to have rained nearly every night. On a rare evening of sublime clarity and coolness at the end of August, the place to be was the World Financial Center at Battery Park City, where the Trisha Brown Company performed at the open-air Plaza beside the Hudson River.

Actually, they performed not only on the stage there, but on the water: Brown revived *Raft Piece*, which had been performed once only in 1974, on a lagoon at the Walker Art Center in Minneapolis. Trisha Brown has always been known for her choice of unusual venues: her early "equipment" pieces included *Man Walking Down the Side of the Building* and *Walking on the Wall* (which consisted of just what the titles said), while *Roof Piece* took place on a number of rooftops in the SoHo district of New York, the dancers "passing" the movement from roof to another. Later she made a number of "accumulation" pieces, in which another movement is added at the end of each repetition of a phrase.

Raft Piece combines both kinds of experiment. Like *Primary Accumulation*, it is performed by dancers lying on their backs, floating on rafts rather than on terra firma. On this occasion, they were not quite on the river itself – that might really have been a one-off event – but in a marina at the river's edge.

Even so, the tide was strong enough to carry them to the southern end of the cove, where the dancers *imperturbably* carried out their choreographic task, lifting arms and legs, twisting and turning their bodies, until the accumulation was completed.

Then we all went back to our seats on the *Plaza*. we had been put on our honour to go back to our original places instead of taking someone else's, and it seemed to work, even though only those on the bleachers had a good view of the stage.

There we saw a performance of Brown's most recent work, *Astral Convertible*, her latest collaboration with Robert Rauschenberg. This had a "preview" in Moscow in January, at the time of the artist's exhibition there – an event of some significance that was unaccountably ignored by the western press, even though (or perhaps because) it took place at the same time as Makarova's return to the Kirov Theatre in Leningrad.

Since then, *Astral Convertible* has been seen at the City Center Theater in New York last March (where I missed it) and in Montpellier this summer. Rauschenberg's set is designed for use in any kind of circumstance, indoors or outdoors; it consists of eight towers made of aluminium struts which house both the lighting and the sound systems. The tapes on which Richard Landry's score is recorded – natural as well as electronic sounds – are triggered by the dancers' movements. The dancers all wear silvery unitards; the women's have a chiffon panel between the legs. The lighting is pure white. The effect, on an evening when the moon was dark, was that of a magical urban moonscape.

Next year sees the twentieth anniversary of Trisha Brown's company, in celebration of which she intends to revive other earlier pieces. But even in her recent work motifs recur from the past: in Set and Reset someone simulates walking on the wall, carried by other dancers; in *Lateral Pass* someone is hoisted into the air by a harness; in *Astral Convertible* there is an echo of the *Leaning Duets* of 1970 when people walk forward tilted at an angle, supported on one side or the other, or both, by a partner, and the dancers several times line up (the title of a 1976 piece), lying on the stage floor.

Brown said recently that she often goes into rehearsal with a new movement idea in her head, and tries to get the dancers to do it. *Astral Convertible* is full of such discoveries, particularly in the unconventional partnering and in the vigorous passages for the four excellent men in her company – coiling and recoiling, slipping and sliding, falling into a catch or a hold. The work's structural rigour and the deceptively relaxed look of the movement give it an air of casual elegance. Brown was one of the original members of the avant-garde Judson Dance Theatre in the early 1960s, and she's still out in front.

David Vaughan

ARTS GUIDE

September 1-7

THEATRE

London

The Merchant of Venice (Phoenix). Dustin Hoffman's Shylock a sympathetic, semaphore-gesturing alien in Peter Hall's fine Venetian Renaissance production. Geraldine James a superb Portia (836 2294).

The Black Prince (Aldwych). Ian McDiarmid gives the performance of a lifetime in Iris Murdoch's distillation of her own Hamlet novel. (836 6404).

A Flea in Her Ear (Old Vic). Feydeau's farce in the John Mortimer translation spiritedly done as German Expressionist nightmare by Richard Jones and the Quay Brothers, the directing and design team on WNO's *Love of Three Oranges*. Jim Broadbent leads good cast as the discomfited insurance manager and his doppelganger, a drunken hotel porter. (928 7616, cc 240 7200).

Veterans Day (Haymarket). Imperfect Donald Freed nationalistparanoia play about three veterans gathered to bump off the President partly redeemed by fascinating duo of psychotic Vietnam hero Michael Gambon and brightly accommodating Second World War buddy Jack Lemmon (930 9832).

M. Butterfly (Shaftesbury). Anthony Hopkins as the tortured diplomatic hero in a Peter Shaffer-style "spectacle of ideas" dressed up in John Dexter's superb production as a metaphor of homosexual life. The transvestite tragedy proves less electrifying than in New York; the play is not very good but still worth seeing (379 5399).

Henceforward (Vaudeville). Martin Jarvis and Joanna van Gyseghem in bleakly funny and experimental Alan Ayckbourn comedy of future shock and strained marriage. A tale of obsession, devotion, computer music, women as robots, gangs on the streets and a tug-of-love. Ends Sept 16 (836 9987, cc 741 9999).

Aspects of Love (Prince of Wales). Andrew Lloyd Webber's latest is an intimate chamber operetta derived from David Garnett's 1955 novella. Musically interesting and well directed by Trevor Nunn, a cast of unknowns project the right sense of sybaritic insouciance. A probable, but unspectacular, hit (839 5972).

New York

Heidi Chronicles (Plymouth). Wendy Wasserstein's award-winning drama covering 20 years in the life of a successful American baby boomer goes from support for Eugene McCarthy's presidential aspirations to electoral ambitions in the 1980s, accompanied by the musical and emotional flavour of the period (230 6200).

Lend Me a Tenor (Royale). A sprucing up in the set of a decaying town's big time opera ambitions makes a transatlantic hit of this farce, first produced in London, but now with a local cast led by Philip Bosco and Victor Garber (239 6200).

Jerome Robbins' Broadway (Imperial). Anyone attracted by the notion of a three hours of film trailer previews will adore this compendium of Robbins' directed and choreographed plays of the past 40 years, including On the Town, West Side Story and Gypsy. The lustre of the credits is dimmed by the brevity of each piece, with a contemporary crew of Broadway aspirants who lack the multi-talents that inspired the heyday of the musical.

Rumours (Broadhurst). Neil Simon's latest comedy is a self-conscious farce, with numerous slamming doors and lots of mugging but hollow humour that misses as often as it hits. Christine Baranski leads an ebullient cast in the inevitable but disappointing hit.

Cats (Winter Garden). Still a sell-out. Trevor Nunn's production of T.S. Eliot's children's poetry set to music is visually startling and choreographically feline (239 6262).

Les Misérables (Broadway). The magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama (239 6200).

Me and My Girl (Marquis). Even if the plot turns on ironic mimicry of Pygmalion, this is no classic, with forgettable songs and dated leadenness in a stage full of characters. It has nevertheless proved to be a durable Broadway hit (947 0033).

Phantom of the Opera (Majestic). Stuffed with Maria Bjornson's gilded sets, Phantom rocks with Andrew Lloyd Webber's haunting melodies in this mega-transfer from London (239 6200).

Chicago

Driving Miss Daisy (Briar Street). The touching relationship between a dowager, played in this production by Dorothy Loudon, and her black chauffeur exposes the changes in the South over the past several decades (348 4000).

Steel Magnolias (Royal George). Ann Francis and Marcia Rodd play the leads in this view of southern life from under the dryers in a busy hairdressing establishment (988 9000).

Washington

The Cocktail Hour (Eisenhower). The original Broadway cast including Nancy Marchand and Keene Curtis bring in A. R. Gurney's latest comedy of manners, in which a writer asks his family's permission to write about them. Ends Sept 23. Kennedy Center (254 3670).

Gypsy (Kennedy Center Opera House). Tyne Daly takes the Ethel Merman role as the stage mother pushing her daughter into notoriety as a striptease artist in this 30th anniversary revival of the wonderful Stephen Sondheim-Jule Styne musical with songs like "Small World". Ends Sept 17 (254 3770).

Tokyo

Kabuki, Kabuki-za. Both the 11.00am and 4.30pm performances are mixed programmes this month. The highlight of the evening show is undoubtedly *Cho no Michiyuki (The Butterflies' Journey)*, a gorgeous dance piece about two lovers whose transformation into butterflies is a symbol of death. Tickets can be purchased for a single act on the day of the performance and the theatre provides informative English-language programmes and earphone commentary (541 3131).

Ukrainian State Dance Company returns

The Ukrainian State Dance Company is returning to Britain this autumn after an absence of ten years.

The tour will open at the Chichester Festival Theatre on October 5 and then visit Bristol, London (the Royal Albert Hall), Poole, Paignton, Dublin and Canterbury.

In November, it will appear in Nottingham, Manchester, Blackpool, Sunderland, Leeds, Sheffield, Aberdeen, Glasgow, Edinburgh, Eastbourne, Leicester and Cardiff.

FINANCIAL TIMES
NUMBER ONE SOUTHWARK BRIDGE, LONDON SE1 9HL
Telephone: 01-873 3000 Telex: 922186 Fax: 01-407 5700

Wednesday September 6 1989

The decision at Plessey

INSTITUTIONAL shareholders in the British electronics group Plessey have never been much enamoured of the choices on offer in the long running takeover battle with the General Electric Company (GEC) and Siemens of West Germany. But this week decisions can no longer be avoided: the first closing date for the GEC-Siemens offer is tomorrow and, more important, GEC will be able to buy Plessey shares in the market after its extraordinary general meeting on Friday. The institutions, which in the past have been all too passive in relation to both companies, now find themselves temporarily in the driving seat.

Plessey's case for continuing independence rests heavily on the assertion of its managing director Mr Stephen Walls that the corporate leopard has changed its spots. Sir John Clark, who in nearly two decades as chairman and chief executive has failed to inspire an enthusiastic institutional following, is to become a non-executive chairman next March. Plessey's viability as an independent company in telecommunications is no longer at issue since Mr Walls has already committed Plessey to the sale of its stake in this business. So the outcome turns on the credibility of the rump.

Ambitious plans

Mr Walls argues that the company is already using technologies acquired in the military area for new civil products. It is also seeking to conclude an alliance with a leading Japanese semiconductor company, as yet unnamed. And it has ambitious plans in its European networks and services business.

Apart from telecommunications, which might have been dealt with as part of an agreed deal leaving the rest of Plessey to fend for itself, the industrial case for parcelling out Plessey assets between GEC and Siemens is not overwhelming. Even in semi-conductors, where Plessey needs a partner, joint ownership by two companies which have had entirely different strategies for this sector may not be the most promising way forward. The problem is that, except in outline, no other way forward is on offer. Even though, from an industrial point of view, the continued independence of Plessey has its appeal, the institutions are being asked to take a great deal on trust. While Mr Walls has impressed many in the City with the conduct of the defence, he is relatively inexperienced for the job of building and leading a major international electronics business.

Uncertainty

Yet Lord Weinstock's institutional following has also suffered disenchantment in the 1980s and the issue of management succession remains unresolved. GEC has been seeking to advance through joint ventures with powerful foreign partners. But there is some uncertainty about the strategy and direction of the group after the recent restructuring.

The GEC cash offer is not generous. But the alternative involves making a risky gesture of faith in a supposedly new-look Plessey. If, as seems likely, the institutions take the easy way out and sell their Plessey shares, they should seek to learn some lessons from the affair. The Plessey record has been patchy and there have been several occasions in the past on which the institutions, as active and interested owners, could have intervened to change or strengthen the Plessey management. One recognises the inhibitions under which the institutions operate – their duty to policy holders, their lack of industrial know-how, the difficulty of dealing with a dominant chief executive – but it is wrong that the responsibilities of ownership should be exercised only at the time of a take-over battle.

If it wins the contest, the focus will be on GEC. The recent corporate alliances have made the company even less vulnerable to a hostile takeover than it was before; this puts a greater onus on the monitoring role of institutional shareholders. The institutions cannot be expected to second-guess Lord Weinstock in running the business. But they do have responsibilities and powers in relation to management succession and board structures. They should be prepared to use their influence if they think changes are needed.

Early election in Spain

WHEN POLITICAL leaders opt for early elections, the decision usually comes with little advance signalling. Felipe Gonzalez, the Spanish Prime Minister, has done precisely the opposite. His announcement last week of elections in October, eight months early, was well flagged and has taken no one by surprise.

Mr Gonzalez hopes to gain a new mandate by taking advantage of the continuing popularity of his Socialist Party and the divisions among the opposition. He is also concerned about the overheating of the economy and the likelihood that politically unpopular remedial measures will be required. Equally, the potentially unpopular task of integrating the hitherto protected Spanish economy into the European Community by 1992 is only now beginning in earnest.

The opposition will cry foul over Mr Gonzalez' political opportunism, but it is understandable. The Socialists fared exceptionally well in the European parliamentary elections in June. Moreover, public sentiment remains favourable to the government, despite growing unease at the corrupting influence of the easy money generated by rapid growth and the inflows of foreign investment.

Justified opportunism

His opportunism is also justified. The Socialists have governed unchallenged since 1982 by occupying the centre ground of politics. The opposition remains hopelessly fractured and offers no clear alternative. This situation has impoverished political debate and created a certain arrogance and corruption among the Socialists, especially in local government. But the possession of a strong government is crucial for Spain's own political and economic development, as well as its relations with the EC. Such a government can only be provided by the Socialists.

None the less, Mr Gonzalez needs to clarify the economic measures he proposes, if he is to gain a mandate for bold action. Fortunately, his most important point should be a congenial one: it is unnecessary to panic about the economy. Not only is it desirable for Spain – a relatively low-income, high-potential economy on the periphery of the EC – to continue to grow rapidly; it is equally appropriate for it to borrow abroad.

In any case, the instruments available for short term control of demand are limited. They became still more so when the decision to join the exchange rate mechanism of the European monetary system (EMS) was taken last June. If upward pressure on the exchange rate were to become overwhelming, the peseta could be revalued as a last ditch counter-inflationary measure. But such a revaluation would be economically damaging. It also looks unnecessary, with rates of interest on three-month money close to 15 per cent and the peseta below its peak of last June.

Reduced borrowing

Only fiscal policy and direct control over credit are left. Of these, fiscal policy has been quite successful. The share of public expenditure in gross domestic product has stabilised at a little over 40 per cent, well below the average for the European members of the OECD. Net government borrowing has also been reduced, from its peak of 7 per cent of GDP in 1985 to only 3 per cent in 1988.

Nevertheless, the structural deficit remains too high. Further efforts to raise revenue and tighten fiscal policy are needed. At present, taxes fall very heavily on the few who actually pay them, the reason being the prevalence of tax evasion. A future government must widen the tax base, further reform the tax structure and improve tax collection.

Measures to control credit expansion will also have to be made more effective. Curbing such lending is difficult, however, because the economy has become open to international capital and because so much of it remains outside effective government control.

While curbing demand is desirable, progress will be slow. Fortunately, the Government should have the time it needs. In any case, the prime challenge is not overheating but the longer-term task of modernising both the economy and Spanish society.

Patti Waldmeir reports on the most closely fought South African election for 40 years

Three protagonists (l to r): Andries Treurnicht of the Conservatives, F.W. de Klerk of the National Party and Denis Worrall, joint leader of the Democratic Party

De Klerk squeezed from both sides

WHEN Cape Town citizens awake this morning, the day of South Africa's general elections, many will find no milk on their doorstep.

At the weekend, a leading dairy warned it was suspending home deliveries in the city because of a two-day general strike called by black unions to protest at the elections, from which blacks are excluded. It counselled housewives to stock up on Monday, or risk running out of milk.

Voters in most countries can be swayed by such trivialities, and South Africa is no exception. The challenge for political analysts is to determine which voters will respond to what kinds of last-minute stimulus – and to take a stab at guessing who will win the election on that basis.

Most analysts agree that the task this time is more difficult than ever. It has become almost a cliché to say that today's election is likely to be the most closely contested in 41 years of National Party rule; even the National Party does not disagree with that.

But the degree of National Party concern was never more evident than in a pre-election briefing given by Mr Stoffel van der Merwe, the Minister of Information, to members of the foreign press.

Mr van der Merwe's guess was that the National Party would win 100 of the 166 seats in the white house of parliament, 23 less than they won in the last poll in May 1987.

Given Mr van der Merwe's position as a government spokesman, this is almost certainly an optimistic estimate. But even if the party's true forecast were to fall into the mid to upper 90s – a range favoured by many political commentators – that would still give the National Party an absolute majority in the white legislature.

That has not, however, stopped talk of a hung parliament in which no party gains a majority of 84 seats. For the word on almost every commentator's lips is "fluidity." Just two days ago, informal polls were still showing as much as 20 to 25 per cent of the electorate undecided.

Mr van der Merwe puts it this way: "Normally, people inherit their political affiliations like they inherit their religion. But at times of crisis, they re-evaluate these affiliations, and you get much greater fluidity among the voters."

Indeed, one of the last public opinion polls published before surveys were suspended six weeks ago showed a clear bias towards a hung parliament: the poll, conducted by an influential political scientist, Professor Lawrence Schlemmer, predicted that an 80 per cent voter turn-out would yield 78 seats for the Nationalists, six short of overall majority.

But that was before any of the three white parties really got into the rhythm of campaigning – and long before the formidable National Party machine shifted into high gear.

It also preceded a number of other important events: the launch of the anti-apartheid defiance campaign which has brought black political activity to a pitch not seen since a state of emergency was imposed in 1986; the African safaris of acting President F.W. de Klerk to Zaire and Zambia; and two successive Springbok triumphs in the rebel rugby tour, which have warmed the hearts of many a white voter. Indeed South African radio, which normally reflects government thinking, has made great play out of the Springbok victories.

Yet it was the resignation of former President P.W. Botha just over three weeks ago which seems to have kicked off the liveliest campaigning. Until that time, the National Party appeared to be saving its strength – while the Democratic Party, a coalition of liberal white parties formed only five months ago, was dissipating its energies on a campaign that peaked before the Nationalists even got going.

With Mr Botha safely out of the way, the National Party got busy burnishing the image of Mr de Klerk. From platforms throughout the country, Mr de Klerk made the same visionary speech over and over again about peace and prosperity in our time. The language was vague enough to accommodate a wide range of interpretations; but the image of the "new broom" seems to have got through.

Under the headline "new leader, new vision, new action," Mr de Klerk outlined his programme for change in the weekend press. The advertisement speaks of bridging the gap of distrust, suspicion and fear among South Africans; launching a "great indaba" or negotiating forum; opening the door to prosperity and economic growth; developing a new constitution allowing individuals to participate without domination; and controlling unrest with a firm hand.

Nowhere does it refer to the concept of "group" rights – the National Party's own patented way of referring to race in South Africa. The invitation to individuals to participate in the constitutional future "without domination" is enough of a clue that Mr de Klerk is not proposing black majority rule. But the language of the advertisement seems designed to appear reasonable and moderate to liberal-leaning voters.

For the National Party seems to have taken the tactical decision that votes lost on the right of the party – to the ultra-right wing Conservative Party of Dr Andries Treurnicht – are lost forever. The language of the de Klerk advertisement – indeed, almost everything he has said since becoming acting President – would be anathema to Conservative Party-inclined voters. The question is whether Mr de Klerk's grandiloquence has won over wavering liberals.

The anti-apartheid defiance campaign, which has generated so many international headlines in recent days, will have helped the Nationalists stop creeping defections on the left. For despite efforts to distance itself from the so-called "Mass Democratic Movement" – the loose coalition of anti-apartheid groups mounting the campaign – the Democratic Party will suffer the most damage from resurgent black unrest.

'Normally, people inherit their political affiliations like they inherit their religion. But at times of crisis, they re-evaluate these affiliations, and you get much greater fluidity among the voters'

Indeed, several respected political analysts have substantially increased their estimates of National Party support since the anti-apartheid upheavals in Cape Town last weekend. The resurgence of unrest may well shift the entire electorate to the right – with Democratic Party voters opting for the Nationalists, and some Nationalists preferring the Conservatives. But the unrest is centred in the Cape, where the Democratic Party has the most to lose.

Had such unrest occurred during the last campaign, in May 1987, there seems little doubt that the National Party government would have reacted with a vengeance. In that election, Mr Botha was asking voters for a mandate to maintain law and order; his language was the language of war, his aim to persuade South Africans of a "total onslaught" waged against them by the African National Congress, the international community, and the internal opposition.

The words "total onslaught" have not been heard from Nationalist lips in this campaign. And though South African police have beaten and whipped a number of demonstrators – not to mention using tear-gas and arresting Archbishop Desmond Tutu – their response has not been particularly brutal by South African standards.

This time, Mr de Klerk has made it clear he is asking for a mandate to negotiate a new constitutional future for South Africa. The challenge for voters is to determine whom he is willing to negotiate with, and what those negotiations will be about.

Mr de Klerk has already succeeded in conveying his bona fides to the most unlikely of interlocutors – President Kenneth Kaunda of Zambia. President Kaunda plays host to the ANC, the main exiled movement fighting white rule in South Africa. His officials say that last week's meeting with Mr de Klerk left him favourably impressed with the South African's commitment to negotiation – a rare accolade from one of apartheid's most virulent critics.

For its part, the National Party is not keen to get down to specifics about negotiation. But Mr van der Merwe says it does not exclude the participation of the ANC in eventual talks: "We don't deny that members of the ANC should be seated at the table, but not so long as they have hand grenades in their pockets," he told journalists.

Indeed, the National Party is not keen to get down to specifics about anything. Its leaders have recognised that voting for them is a leap of faith, and set out to make Mr de Klerk the kind of man whom voters can trust with their future.

The party has successfully projected an image of Mr de Klerk as African statesman: in the space of five days last week, Mr de Klerk met four black African leaders and visited two neighbouring black states. For the "white tribe of Africa," this evidence of inclusion in the African community is welcome, and long overdue.

The Nationalists have, in any case, a big head start over their competitors because of their domination of the broadcast media: a significant advantage in what has proved to be the first South African election campaign to revolve around television. In a campaign based on image projection, control of the media is essential.

But that, on its own, will not prevent white South Africa from registering a huge protest vote when it goes to the polls later today. The National Party is likely to find its political base eroded from both left and right. The Democratic Party, which proposes a federal solution to South Africa's racial problems, will almost certainly improve on the 21 seats it can now speak for; and the Conservative Party, with its commitment to classic apartheid, could well double its current 22 seats.

For there is ample reason for disaffection with the Nationalists. The dire state of the economy may have failed to become a truly salient campaign issue; but it could, none the less, weigh with voters when they come to cast their ballots. And voters may well wonder what the National Party can offer them in political terms as well: the party has been touting the same vision of apartheid reform for years, with little to show for it in terms of international rehabilitation or internal reconciliation.

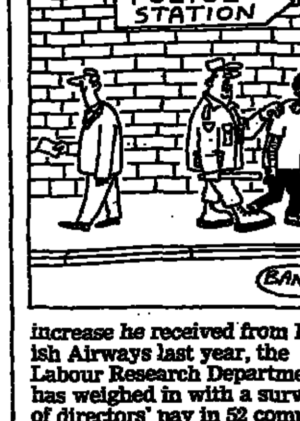
No one appreciates the appeal of the Conservative Party better than the Nationalists; the Conservatives offer an implausible vision of a secure past, within segregated white homelands; the National Party offers, at best, an uncertain and difficult future.

As Professor David Welsh of the University of Cape Town argues, the National Party is uncertain where its ideological centre of gravity lies. The Nationalist caucus, he believes, is deeply divided on fundamental issues relating to apartheid; the loss of anything up to 20 seats could put severe strains on its cohesion.

If the Conservatives should get 50 seats or more in today's poll – which is not impossible – the Nationalists' room for manoeuvre would be severely constrained in the next parliament. The cleavage within the party – and within white society in general – could only deepen.

Democratic Party election posters call on South Africans to vote with their hopes and not their fears. The National Party, wisely, is appealing to both those sentiments. Voters will not buy such ambiguity forever; but, in all probability, this will not be the election in which they reject it once and for all.

OBSERVER



From Cowley to Sofia

■ There are very few British businessmen resident in Bulgaria and business is hard to come by, not so much because the Bulgarians are unwilling but because of the shortage of foreign exchange. Yet when I was in Sofia last week, there were repeated stories about the chances for British Aerospace.

There are three projects. The Bulgarian airline is about to buy non-Soviet aircraft for the first time. A BAe 146 has already been on view in the country. Secondly, the Bulgarians are seeking to build a huge new modern airport outside Sofia as a joint venture. (The present one is antiquated and is about to be closed.) BAe could have a natural interest in that.

The third and potentially most intriguing is that the Rover Group might supply Bulgaria with a car industry by transferring some of its older assembly lines and models. Balkancar, easily the country's most successful company and the world's biggest maker of fork lift trucks, already uses engines under licence from Perkins and Ford UK, as well as assembling 20,000 Soviet cars a year. For Rover to move in would be a big deal.

Rover, of course, is nowadays a subsidiary of BAe. From inquiries at this end, however, it is not clear that the car company and the aerospace firm realise that they could be in Bulgaria together. It might be a good idea to send a few more people to Sofia to find out what is at stake.

Last furs

■ A small animal rights demonstration outside 67 Upper Thames Street yesterday morning was the only outward sign that one of the City of London's oldest commodity markets was breathing its last. Inside, some 400 skin traders from all over Europe were at the last fur auction to be held in London under the banner of the Hudson's Bay Company, founded here in 1670 in the reign of Charles the Second to harvest the great fur forests of Canada.

Within four hours, some half a million Karakul lamb skins from Afghanistan and Namibia were auctioned to agents representing buyers all over the world. They then dispersed without ceremony, promising to meet again in Helsinki which already hosts the world's biggest fur sales.

While the animal rights lobby claimed a famous victory, Tony Kehyaian, 43-year-old director of Hudson's Bay, London, said he was "sad" that this was his last auction here. But he insisted that it was rocketing rents, rather than public sentiment about fur coats, which had driven the trade from its traditional haunts around Garlick Hill and Skinner's Lane. Mink prices were indeed low, but this was a cyclical result of overproduction two years ago. "Demand is very good and prices will eventually recover", he added.

Although refurbished only in 1982, Hudson's Bay House will now be knocked down. The site will be redeveloped together with the adjoining property owned by Hudson's Bay, Canada, the parent company, which two years ago sold the fur auction business to the Finnish mink farmers.

War on pay

■ An alliance of left and right continues its campaign against Britain's most highly-paid businessmen. Following Downing Street's strictures against Lord King for the 117 per cent pay increase he received from British Airways last year, the Labour Research Department has weighed in with a survey of directors' pay in 52 companies.

The trade union-backed research organisation compares Lord King's rise – which brought his pay to £385,791 – with the six per cent increase given to BA's ground staff.

The Department also picks out Ian Prosser, chairman of Bass, whose pay rose 70 per cent to £248,660. Pay increases for the workers at various Bass subsidiaries ranged from 5.5 per cent to 10.3 per cent.

Geoffrey Mulcahy, chief executive of Kingfisher (formerly Woolworth Holdings), received a 52.4 per cent increase, bringing his pay up to £701,000, compared to 7.5 per cent for the workers at Woolworth.

On the Labour Research list are some companies which have reduced the pay of their highest paid directors. Those include Lord Hanson whose remuneration fell 1.9 per cent, despite an 18.6 per cent increase in Hanson profits. As this left him with £1,239,000, the comrades at Labour Research are not shedding tears.

Irish cats

■ The story about the Irish cat and the Irish salmon in yesterday's Observer had unsuspected depths. It may be an example of "urban myth", like the story of the dog in the microwave or the Granny in the boot of a car.

A remarkably similar tale is told about two couples in Ireland sharing a holiday together. One of the wives goes to the kitchen to fetch a whole salmon for dinner. She finds the cat eating a sizeable chunk of it, shoos him off, turns the salmon over, and serves it up without saying anything.

When she returns to the kitchen after dinner, the cat is lying dead on the floor. In horror, she goes back to the dining room and tells all. Everyone races to the hospital and spend an unpleasant night having their stomachs pumped.

The next day the neighbour comes round. "I'm terribly sorry about your cat," he says. "Last night I ran it over as I parked my car. I trust it is all right?" The couples have never spoken to each other since.

That story comes to us from Rupert Wright, the editor of HP Chronicle, the computer monthly, who swears that it was told to him as being totally authentic. There are other versions around. Wright and a friend are still seeking verification, and may be induced to pay a small sum of money for it.

Wrong tally

■ A reader reports seeing a placard outside a Hampshire newagents: "Man arrested after Nationwide Hunt." Someone had written underneath: "Why does a building society sponsor fox-hunting?"

Norma Cohen reports on the implications of local councils' interest rate swaps

When fingers get burned

When the London borough of Hammersmith was finally barred last February by the Department of the Environment from making payments due under its interest rate swap and options contracts, it opened up a legal Pandora's box that it has since been unable to close.

The immediate issue is over the right of local authorities to conduct capital markets operations – whether the purpose is for reducing interest rate risk or for raising revenues.

Initially, the consideration appeared to be a political one. The Conservative Government objected to authorities using fee income from the capital markets to escape from Whitehall's restrictions on local council spending.

However, in the process of making a political point, the DoE has unleashed the spectre of a series of lawsuits between banks, local government, central government and money brokers that could swamp the courts for years to come. It has also called into question the legality of swaps with all non-corporate entities, such as UK building societies, which have only recently begun to use the swap markets to reduce their own exposure to volatile interest rates.

Larger building societies are specifically permitted under current UK law to conduct capital markets operations aimed at reducing risk. But when they agree to a swap, bankers have no way of knowing what its actual purpose is. Therefore, any transaction with a building society could be at risk.

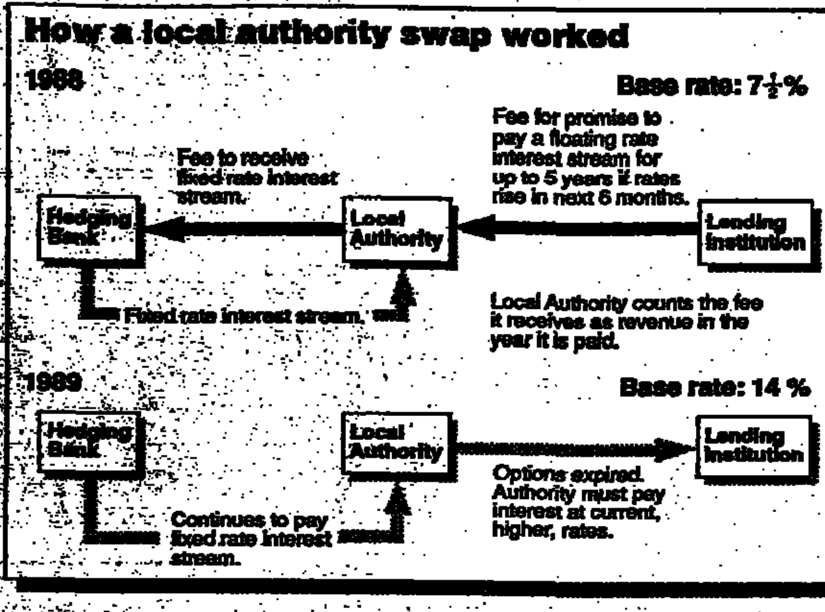
The Corporations Act of 1986 affirms that swap agreements entered into in good faith with corporate borrowers are sound. But there is no such safe harbour for non-corporate entities. This category includes any mutually-owned organisation such as a friendly society or charitable trust or any quasi-governmental body which uses capital market instruments.

"This is the most significant legal question for the swaps market since it began in the early 1980s," said Mr Michael Canby, a partner at Linklaters and Paines and a specialist in capital markets transactions. The total market in interest rate swaps was the equivalent of $1,010 billion at the end of 1988, according to the International Swap Dealers Association. Of that, $52.27bn were interest rate swaps in sterling.

At the height of its activities in interest rate swaps, Hammersmith alone accounted for nearly 10 per cent of the sterling market. While swaps with local authorities account for only a small portion of overall swaps business, the market has been badly shaken by the realisation that contracts are not inviolate after all. This has caused bankers in the UK and abroad to reassess all their swap counterparties in an effort to plug the legal loopholes.

On October 4, the High Court will consider a request by the District Auditor to rule all of Hammersmith's interest rate swap and options contracts *ultra vires* – outside its legal jurisdiction. The auditor will argue that the council never had the legal authority to enter into contracts that at one time had a notional principal value of about £5bn, and will ask the court to rule all of them void. Such a ruling would mean that payments to bank counterparties, estimated at about £186m over the next five years if interest rates remain stable, will not need to be paid. Hammersmith, a Labour-controlled council, has already said it does not intend to contest the auditor's case.

How a local authority swap worked



However, the banks to whom the fees are owed have mounted a vigorous legal challenge to the auditor's charges, enlisting the services of the most expensive legal advice in the City of London to defend the right of Labour-controlled Hammersmith to engage in capital markets activities.

But whatever the High Court decides, the matter will not be laid to rest.

If the swaps are ruled legal, it will force local authorities to pay huge sums to bankers. This could spell financial ruin for several local authorities, raising the question of whether local governments can go bankrupt and whether the central government has any obligation to stand behind them if they do.

If the swaps are all ruled illegal, as the Audit Commission insists, bankers stand to lose hundreds of millions of pounds, not just from Hammersmith but from every authority which has arranged similar transactions. It will hobble local authorities – and potentially all non-corporate entities – in their efforts to use the capital markets to raise funds and reduce risk.

If the court rules that some of the transactions are legal – a view that many bankers privately believe is the most likely – it will leave the judge to decide which of the banks must be paid and which need not. This will leave the banks, which have presented a united front on the matter up until now, to fight it out among themselves over which transactions are the legal ones. The court proceedings are likely to make public some unwelcome details about how each bank does business, possibly exposing some sloppy lending practices.

Bankers and their legal advisers agree that it is unlikely that the DoE, when it provoked the crisis last February by refusing to sanction payments by Hammersmith to its bankers, understood the far-reaching consequences of its actions.

While some cynical bankers argue that the DoE intended to punish the banking community for its tacit assistance in local authorities' fund-raising efforts, it is more likely that the Department simply did not have the technical expertise to allow it to foresee all the problems which would unfold.

In February, Mr Nicholas Ridley, the Environment Secretary at the time, declined a request by Hammersmith to be allowed to make payments without its councillors becoming subject to fines or disqualification. The action provoked a crisis, forcing Hammersmith and four other local councils to hold up millions of pounds in payments to banks.

The action did not come out of the blue. In July 1988, the District Auditor for Hammersmith – Deloitte Haskins and Sells – told Hammersmith that it believed its *activities in the swaps and* options markets were probably illegal and that it should begin winding down its position and seek further legal advice. While Hammersmith did seek legal advice in July 1988 and wind down its portfolio, it continued to make payments under existing contracts.

In 1988, the Audit Commission circulated legal opinions it had sought with respect to interest rate swap and option agreements. While the Commission's leading counsel felt that those swaps entered into for purposes of managing debt were probably legal, he took the view that those entered into for the purpose of raising fee income were probably not. The Commission's junior counsel took the view that all local authority swap and options agreements were probably illegal.

In presenting the case to the High Court, the Audit Commission and Deloitte Haskins & Sells are taking the view of the Commission's junior counsel and asking that all of Hammersmith's transactions be ruled *ultra vires*. This position is likely to be the starting point for a series of legal battles:

- If the High Court rules in in favour of the District Auditor, the lenders will continue to appeal until all avenues are exhausted.
- Bankers have already begun to comb through their local authority swap and options portfolios for those transactions in which the local authority was the net beneficiary – in other words, the bank made a net payment instead of receiving one in return. The banks will then sue the local authorities for return of these proceeds, arguing that those contracts were *ultra vires* as well.
- Banks are also considering whether to proceed against the money brokers which arranged the transactions on their behalf.

The role of the money brokers is somewhat complex since they only acted as middlemen. Banks habitually demanded to know the name of the local authority they were matched with, with many refusing transactions linked to rate-capped boroughs. But bankers still argue that they dealt with the brokers in good faith, believing brokers would not match them to illegal transactions.

What the banks knew and when they knew it remains a central issue in the whole case. The banks' affidavit before the High Court argues that the Audit Commission never specifically told them that the transactions were illegal and they had no reason to believe they were. Therefore, even if swaps and options are deemed to be off limits for councils in the future, it is unfair to punish banks retrospectively.

Furthermore, the bankers say, the Local Government Act of 1972 does not require them to ask local councils in advance whether the transaction is legal. But several banks did wonder whether the transactions were legal. Several banks and securities houses had sought counsel's advice in 1987 and 1988 about the advisability of entering into swap and options transactions with local authorities. Linklaters and Paines, for instance, had come to the conclusion several years ago that the authorities might be exceeding their competence by entering into those *transactions and advised clients accordingly.*

EC social charter

Building an open, free, competitive Europe

By John Banham

The word "visionary" is bandied about in the debate on the proposed social charter for the European Community and the nature of post-1992 Europe. Significantly, it is a compliment in Brussels and an insult in London.

But there is one vision we should all hold on to. The new Europe should be open, free and competitive.

Europe must be able to compete with Brazil, South Korea and Taiwan, where employers have access to workers with skills approaching northern European levels, but where labour costs are much lower. The alternative is a protectionism which would be incompatible with the long-term interests of Europe's consumers and the obligations to the Third World of its citizens.

It does not follow that demolishing the barriers within Europe to the free movement of goods, people and capital will result in increased employment opportunities. If we are more interested in rights than in duties, preoccupied with the distribution of wealth rather than its creation, these benefits could all too easily be realised in the Pacific Basin and South America. Legislating an improved standard of living is not a feasible proposition – any more than is the notion that the relatively weaker British capital base can be expected to sustain West German levels of social benefit.

That is why employers across Europe oppose what is on offer in the draft European *Community Charter of Fundamental Social Rights.*

Like its counterparts in other EC countries, the CBI is in favour of the recognition of fundamental social rights. Employers do not reject a social charter in principle. But the current approach represents a missed opportunity. Employers hope to see it modified so that it will set out an exciting vision of the Europe we seek to build, and will reinforce the ability of businesses to create the wealth which alone can support improved social provision.

The twelve headings or "rights" listed in the proposed Charter cover principles which UK employers support and on *which they are committed to* making progress through the framework of legislation on individual and collective rights, through long traditions of collective bargaining, and through voluntary company policies.

Sadly, there are in the present draft too many examples of yesterday's approach. Inflexible details, like setting maximum weekly hours, are built in, when today's trend is towards annual hours and today's need is the ability to respond to the market with, say, overtime working. Sweeping statements and value judgments are presented as incontrovertible truths. Some sections are broad and imprecise, others focus narrowly on what to employers are the wrong issues.

The language, too, is revealing. The draft is littered with phrases such as "rules shall be laid down . . .;" Member States commit themselves to such steps as are appropriate;" "[parties concerned] shall set up continuous and permanent training systems;" "dialogue between the two sides of industry at European level must be developed."

If the Commission is merely seeking a political commitment, it is doing it in a curious way. It is missing a great opportunity to set out a challenging and exciting vision for the Community in the modern world. Employees want to hear what the Single Market can offer. The Charter may not be the "longest suicide note in history," as the Labour Party's 1983 Manifesto was described; *but in its current form it* provides serious competition for Mogadon among those finding it difficult to sleep at night.

International competition is the motive power that creates wealth and jobs. In this, the UK has nothing to be defensive about and much to be proud of and to share with our partners. More new jobs have been created in the UK over the last few years than in the rest of the Community put together, and polls show that 80 per cent of UK workers feel their present job is "good" or "very good" in meeting their three main requirements.

The improved commitment and motivation of employees has been a vital ingredient in *the success of the supply side* of the UK economy in recent years. Against this background, all social proposals need to be questioned. Do they help to build on what has been achieved, or will they set the clock back?

A pot-pourri of tired political nostrums is no substitute for a vision of the open, free and competitive Europe we seek.

In the Europe we seek, all citizens will have opportunities to develop their skills and careers, with access to training and retraining throughout their working lives. They will have opportunities to contribute fully to the success of the enterprise and share in the financial rewards of that success. They will enjoy the highest practicable standards of health and safety. They will benefit from steady improvements in the environment. They will have the right to belong or not to belong to a trade union, and the right not to be discriminated against on the basis of race, sex, religion or disability. They will be free to move and work anywhere in the EC on equal terms and with full recognition of skills and qualifications and equivalent transferable social security protection.

To deliver that vision, employers depend on politicians to create the right environment – freeing barriers to competition, not imposing "social costs" that will inevitably reduce investment and thus competitiveness and job opportunities. The combination of current average British productivity and German social *costs would be lethal.*

So, Europe's Social Charter must be a charter for enhanced competitiveness – not a recipe for protectionism and lost employment opportunities. It needs to focus on duties, as much as on rights – on our collective duties to the environment, to the Third World, to the disadvantaged and to the future. It should stress openness and choice, not restriction and regulation. It must focus on the individual, not on the collectivist thinking of the past.

Finally, if business does not like the model on offer, we must provide a better one. That we shall do.

The author is Director General of the Confederation of British Industry

LETTERS

'Who will the services service?'

From Mr Dennis S. Collins.

Sir, As it is understood that, as a nation, we are now service- rather than manufacturing-oriented, it might be as well to look at the UK track record of these services – certainly in the financial sector.

If the individual citizen and small private investor looks to the great financial institutions – banks, insurance companies, exchanges – for advice and guidance on his or her affairs, which they are glad to provide (at a price) what does he see in their handling of their own affairs?

He sees banks writing off many millions in Third World debt; incurring huge losses over disastrous expenditures in anticipation of "Big Bang," and further losses since deregulations; the result of rash incursions into broking and the gilts market, not to mention under-performing overseas acquisitions.

Banks, together with insurance companies and building societies, have suffered enormous losses through their herd-like rush, with incredibly inept timing, into the estate agency business.

No manufacturing concern or, for that matter, any business outside the financial sector could sustain such losses because of management incompetence, and stay in business.

It is noteworthy that in this sector directors' own shareholdings are minimal.

However, funded as they are by investors and savers alike, they not only manage to survive, but those responsible for the policies they have pursued are the recipients of the most generous rewards and, in many cases, honours too.

It is an irony that manufacturing industry has been relegated to the background; without a manufacturing base, who will the services service?

Dennis S. Collins,
Chanctonbury,
Seaview Ave,
Angmering on Sea,
West Sussex

Fair shares

From Mr R.A. Lucas.

Sir, I cannot be alone in agreeing with Mr R.E. Farris (Letters, September 2), particularly where the problems of capital gains tax for small investors are concerned.

Clearly the cash element in a bid is important to large institutional investors – for obvious reasons. But it seems to me that the bidding company could make everybody happy if it were also to make some of its equity available to small investors, by offering it as an alternative option for amounts up to, say, £50,000 for individual holdings.

R.A. Lucas,
Little Westlands,
Lingfield, Surrey

Health business

From Mr Bryn Glover.

Sir, David Mellor, the junior Health Minister, is very keen to bring business management principles and commercial enterprise attitudes into the running of the UK national health service (NHS); in particular he stresses the importance of the financial independence of the various district health authorities (August 30).

What he fails to make clear, however, is that the overall expenditure with the regions (made up of about 10-15 districts each) will still be subjected to the same "cash limit" control as at present. He or his superior will still wield the same overall control as now; the cake will be no larger; freedom to scrap over the size of the slices is his only change.

Further, he refers to the Whitley Council system of payment as if it were an example of free collective bargaining as applied in most of UK industry.

In 25 years of working for the NHS I have never known a time when staff pay was not determined by the Department of Health and imposed by the Whitley Councils. It is not credible that, every year, every one of the separate councils should independently arrive at precisely the same pay award. There never have been, as Mr Mellor implies, "national pay agreements" in the NHS. There has been national pay determination – quite different.

He is not liberating local managements, as he claims to do. He is simply shifting the means of his control; again, regional cash limits (which he will set) will control local pay agreements.

The important fact is that market force considerations are incompatible with his declared belief in a service "free at the point of use" and "financed out of general taxation." The amount to be spent is not a commercial judgment based upon what the market can stand, but a political judgment based upon need and propriety. His final assertion – that a "deathly hush" has settled over his opponents – could make sense only to people who have deliberately decided to ignore everything everyone else is saying.

Bryn Glover,
14 Wensley View,
Leeds, West Yorkshire

Navigation chart

From Mr Roger Martin-Fagg.

Sir, Perhaps I can help Mr Rupert Wilson on the issue of a "soft"/"hard" landing for the UK economy (Letters, August 21).

We took off at the beginning of 1986, when Mr Nigel Lawson, the UK Chancellor, allowed the money supply throttle to open. The value of sterling fell against the German Mark, giving exporters to the EC an opportunity to lift their margins. In the same year, consumer spending grew at 6 per cent in real terms. The multiplier effect of an increase in retail sales worked through the UK economy in 1987.

In that year, Mr Lawson abandoned his target for growth in M3. House prices began to rise rapidly, fanned by average earnings growth at 10 per cent and competition between retail banks and building societies for market share, which bid up earnings/borrowing multiples. UK manufacturers raised production by 7 per cent in 1987 and ordered more plant, equipment and trucks. On average, UK business held its price increases and raised productivity, giving improvements in earnings per share.

There was a Conservative election victory in the UK and the multiplier effect continued, retail sales growth feeding higher output, higher imports, higher profits, record levels of investment. After the October 1987 stock market crash central banks pumped in liquidity for fear of recession; the money supply grew further.

A "soft landing" can be said to occur when the real growth in gross domestic product (GDP) slows to between two and three per cent year on year. A "hard landing" is when the rate of real growth in GDP is zero or – for a real bump – negative on the previous year.

All Chancellors try to maintain a stable flight path, characterised by stable prices, a broad balance on the external account, real growth of around 2.8 per cent year on year, and fuller employment.

Two years ago Mr Lawson, I am sure, believed that he had achieved it.

Roger Martin-Fagg,
The Management College,
Henley,
Greenlands, Henley-on-Thames,
Oxfordshire

Forex dealings service

From Mr David Keefe.

Sir, Your report "Quotron wins forex order" (FT, August 15) misleads by implying that Reuters made an unsuccessful bid for the contract to support the development and management of the FXnet foreign exchange dealing settlement service.

Reuters, after a brief discussion with FXnet more than a year ago, declined to make a bid for the contract and cannot, therefore, be said to have suffered a "surprise defeat" at the hands of Quotron.

David Keefe,
Reuters,
85 Fleet Street, EC4

Pension fund surpluses

From Mr Drew Lyburn.

Sir, I rise to Mr Redman's delightful bait (Letters, August 26): "Surpluses arise because actuaries make incorrect guesses." Pension fund surpluses or deficiencies occur because assumptions have to be made about future experience – mortality, withdrawal and early retirement rates, real rates of investment return.

Neither actuaries nor their clients are soothsayers; actual experience rarely exactly matches assumed experience; hence surpluses or deficiencies.

Drew Lyburn,
Institute of Actuaries,
High Holborn, WC1

FINANCIAL TIMES
Wednesday September 6 1989

Socialist big guns get behind Kok

Laura Raun follows the Netherlands' neck-and-neck race for power

British Labour Party leader Neil Kinnock helps drum up election support for his Dutch counterpart Wim Kok (right) in an Amsterdam street market yesterday

IN A last-minute offensive to win the opportunity of leading the Netherlands into the 1990s, Mr Wim Kok, head of the Dutch opposition Labour Party, took to the streets yesterday to press the flesh with his British counterpart, Mr Neil Kinnock, at his side.

The two men waded through a mass of humanity at an Amsterdam open air market in a concerted bid to win votes in today's Dutch general election.

Mr Kok is in a neck-and-neck race to unseat Mr Ruud Lubbers and his Christian Democrat-Liberal coalition Government.

Capping the short and intensive campaign was a television debate last night between the top five candidates. Today's vote will turn on the candidates' personalities as much as on political issues because of the relatively narrow differences in party programmes.

While the Socialist duo of Mr Kok and Mr Kinnock were handing out red roses to voters, Mr Lubbers, who has stayed aloof from much of the campaign fray, was ensconced in his "little tower" of an office in Parliament.

Mr Kinnock was the last of a gaggle of European Socialists trotted out to bolster Mr Kok's stature and encourage a swing to the left after 10 years of conservativism in the Netherlands and much of Western Europe.

Mr Ingvar Carlsson, Sweden's Prime Minister, and Mr Hans-Jochen Vogel of West Germany also have appeared alongside Mr Kok.

Public opinion polls show the centre-right coalition of Christian Democrats and Liberals teetering on the edge of losing their governing majority, with 75 of the 150 seats in Parliament.

In any case, the centrist Christian Democrats need to remain the largest party in parliament for Mr Lubbers to keep his job as Prime Minister.

If he does, he is likely to try to rebuild the old coalition, which collapsed last May over a minor financing element of a major environment plan. Failing that, Mr Lubbers would turn to the Labour Party, which desperately wants to return to power after nearly 12 years on the opposition benches.

Only if the Socialists emerge as the biggest party would Mr Kok have a chance to become Prime Minister. In recent days both he and Mr Lubbers have sought to make the choice clearer than ever. Mr Lubbers has flatly refused to serve in a cabinet headed by his opponent, and even the tranquil Mr Kok has threatened to boycott any cabinet headed by Mr Lubbers.

While the environment has been the most important issue it will not be the most decisive in today's vote. If last week's question-and-answer session with the candidates was any indication, then money matters will be foremost in voters' minds.

Deteriorating incomes of teachers, nurses and the elderly was a recurrent theme. So was crime in the streets, education and health care.

Mr Lubbers is promising to start sharing out the fruits of seven years of austerity policies but warns that Labour would go too far in this direction. If Mr Kok takes over the "little tower" then taxes would soar and government money would be spent before it was earned, he warns.

The ever-popular Prime Minister has also reminded voters that his no-nonsense policies have yielded healthy economic growth, low inflation and record employment.

Voter turnout is forecast to be average for general elections (81-88 per cent) and the weather dry and sunny. Historically speaking, the higher the turnout the better Labour does, so Mr Kok is undoubtedly hoping the weatherman is right.

Ireland's farmers dig in to weed out drug plant

By Kieran Cooke in Dublin

THE DANCING, singing and drinking went on until the early hours of yesterday morning down in the countryside of east Cork in Ireland.

Merrell Dow, the US pharmaceutical giant, had earlier announced it was dropping plans to build an I£60m ($81m) plant in the area. Opponents of the project were now celebrating what they considered to be their victory.

"It's a wonderful day not just for us, but for the future of Ireland," said a farmer at the forefront of the anti-Merrell Dow campaign.

Merrell Dow, a subsidiary of the Dow chemical group, with annual sales of $17bn (a figure roughly equivalent to the total value of Ireland's annual exports), had originally announced its intention to build a drug production plant at Killeagh, in the east Cork countryside, in late 1987.

The Irish Government, through the Industrial Development Authority, the state body responsible for promoting inward investment, had fought hard to lure Merrell Dow to Ireland. The plant would provide badly needed jobs, and officials said the company had a good environmental record.

Early last year the Irish cabinet approved a generous grant toward the cost of the project. Site work was due to be completed by the end of this year, but protests stopped anything being done. Local farmers had threatened to take drastic action if anyone moved on to the site. Some had hinted they would go on hunger strike.

Those opposed to the plant accused both the company and the Government of being less than frank about the details and potential dangers. They were concerned about the effect of wastes to be incinerated at the plant: they strongly disputed assurances that the disposal of 100,000 gallons of treated waste per day into a nearby river posed no dangers to surrounding crops and dairy herds.

More broadly, they attacked the whole idea of locating such an industry in the heart of some of the country's best farming land. Ireland's "clean and green" image would be seriously damaged, they said.

An appeal against the local authority's decision to allow the plant failed. A group of local farmers lost a case they took to the Dublin High Court. Nevertheless, Merrell Dow has now pulled out of the project, but is not admitting that the protesters' pressure had forced it out of Ireland. In a brief statement the company said that a recent merger with Kansas-based Marion Laboratories meant that the tax advantages offered by Ireland were no longer so attractive.

There is no doubt, however, that Merrell Dow's withdrawal is a serious blow, not only to the US company's plans but also to the Government's industrial development strategy. In recent years, the IDA has attracted many leading pharmaceutical companies to Ireland. Hundreds of jobs have been created.

A growing environmental lobby has attacked what it considers to be non-existent government monitoring of the chemical industry and what it claims is increasing pollution in the Cork area. Dr Mary Dunphy, a local GP, is concerned about high levels of asthma and other respiratory problems in the harbour area.

Mr Padraic White, head of the IDA, denies that Ireland's environmental laws are being circumvented by outside companies. "Many of these environmentalists' lobbies views are totally wrong, and I find both personally and professionally offensive the idea that there is some mythical pool of dirty industries looking for a home and we sort of go out the back door and say 'Come on in here, we'll give you an easy ride.' That isn't the case at all."

THE LEX COLUMN

A new term for the dollar

The end of the summer holiday season seems to have coincided with an end to the recent calm in the world's foreign exchange markets. As if on cue, the dollar celebrated the return to work of America's foreign exchange traders with a fresh spurt, taking it to its highest level in two months. Although this will undoubtedly focus attention on the rather sensitive issue of how far central banks are prepared to go to curb the dollar's climb, the really worrying aspect for the UK is that the dollar's latest surge is disguising a fresh bout of sterling weakness.

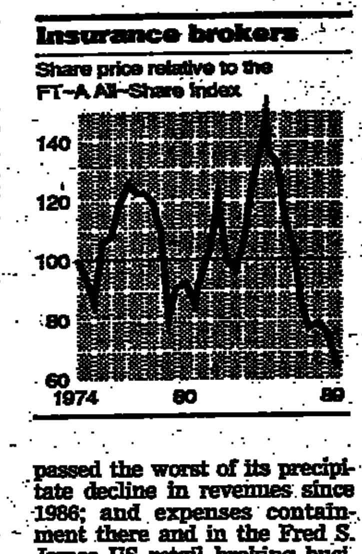
For the moment, the domestic financial markets are reacting surprisingly calmly. Admittedly, the Bank of England has been keeping short rates tight for a few weeks now, but 3-month money rates have hardly budged above 14 per cent, and the equity market continues to be mesmerised by Wall Street's latest tune. Either the UK share prices have discounted a lot of bad economic news, or they are choosing to ignore it, and the latter looks the more likely explanation of the two. Sterling's trade weighted index has fallen another 2.6 per cent since the last bout of sterling weakness forced a hike in UK base rates in late May, and at 90.7 is only 1 per cent above its year's low.

Sterling is getting close to the sort of levels which might be expected to precipitate some sort of policy response, and the longer it is allowed to slide the greater the worry that the authorities have quietly abandoned their firm exchange rate policy because the pain is too great.

Sedgwick

Sedgwick, and insurance brokers, will never again be what they were in the high-margin, go-go 1970s. Up to a point, the stock market has taken the point; but unrealistic expectations remain about what Sedgwick can achieve amid insurance markets flooded with excess capacity. In spite of the sector's dismal share price underperformance, Sedgwick's shares still look notably overvalued.

There was some good news in yesterday's interims. True, the modest pre-tax profits increase to £64.8m, against a background of soft insurance markets everywhere, was a matter of a stronger US dollar, better investment income, and pleasant surprises in peripheral businesses. But in Sedgwick's real innards, its reinsurance arm E.W. Payne has passed the worst of its precipitate decline in revenues since 1986; and expenses containment there and in the Fred S. James US retail broking business shows how determined the group's new management are.



Even assuming though that Sedgwick grows 1989's full-year pre-tax profits 9 per cent to £85m, its shares are selling at 20 times current earnings. By contrast its bigger and stronger rival Marsh & McLennan is rated on Wall Street at a p/e of only 17. Some investors may be clinging to the idea of a bid triggered by Transamerica's 39 per cent stake in Sedgwick. But the likelihood is that the market is vainly expecting a sudden upswing in insurance pricing next year; and that investors have not grasped that the days when Sedgwick's operating margins were 20 per cent are gone forever.

ADT

The new-look ADT does not need more money; and so its decision to raise $424m is a bit strange. By the end of the year the company should have $850m cash with apparently only vaguish plans to add to its auctions and security businesses bit by bit. Some might fear a big and complex acquisition must be on the way, but given how long it has taken Mr Ashcroft to mend his fences with the City, he is unlikely to risk breaking them again.

Instead, the motive for the issue seems to lie with Laidlaw. From the start, it was possible that the two companies would join up one day, but Laidlaw seems to be forcing the pace by following its £210m investment of last spring with another £130m so soon. Shareholders may be left puzzled, but cannot be aggrieved: the company is raising equity at the market price, and is even paying lip-service to pre-emption rights for once. ADT at last enjoys a multiple of more or less what its basic businesses deserve, but given the seriousness of Laidlaw's interest it is surprising that the shares have not gone even further to become something of a bid favourite.

Brent Walker

Brent Walker's acquisition of GrandMet's betting shops is the conventional fund manager's nightmare. The price is about £100m more than expected, and the vehicle is the kind of off-balance sheet job the market finds it hard to understand and even harder to love. While Brent Walker knows a bit more about betting shops than it did about spirits, it is going to be competing with some formidable old hands like Ladbroke. The off-track betting market may be growing at about 20 per cent or more a year, but then that kind of growth seems to have been taken care of in the price.

But as usual with Brent Walker, the deal should perhaps not be assessed in terms of such mundane things as earnings - which in this case seem roughly unchanged initially. Brent Walker is a trading company and is in the habit of making money out of nearly everything it does; but the 8 per cent fall in the share price in the last two days expresses a well placed degree of caution. GrandMet is a master dealmaker too, and the 9p rise in its shares yesterday seems to identify the winner correctly.

IMI

If IMI has any value as a barometer of the condition of UK manufacturing industry, then the outlook is not as bleak as the economic statistics suggest. It is a company which has not been disrupted by mammoth asset sales or purchases, so a 21 per cent rise in first half earnings and dividend is a surprisingly high reading for what is supposedly one of the more vulnerable parts of the economy. High interest rates are not threatening capital investment plans, the strength of the German economy is more important than the weakness of the UK, and if it is forced to concede UK wage increases of 9 per cent plus then more jobs will go. If IMI's transformation over the last few years is typical of many Midlands manufacturers, then the Government need not worry unduly about the impact of any recession on the country's manufacturing base.

Unctad hits at reforms applied in LDCs

By William Dullforce in Geneva

A DEVASTATING assessment of the effect of the structural adjustment programmes undertaken by the world's poorest countries is included in the 1989 report of the United Nations Conference on Trade and Development (Unctad).

The lack of consistency between the programmes, carried out in collaboration with the International Monetary Fund, the World Bank and regional development banks, and the countries' economic performance leaves open the question of the adequacy of these programmes, writes Mr Kenneth Dadzie, Secretary-General of Unctad.

The agency is the prime UN organisation focusing on the economic interests of the Third World.

As they are now applied, the programmes may effect undesired results, especially high social costs and a weakening of countries' ability to achieve long-term development, he adds.

The UN categorises 42, mostly African, countries, with a combined population of 340m, as "least developed" countries (LDCs) on the basis of small per capita income, low literacy rates and tiny contributions from manufacturing to their gross domestic products. The number increased by nine last year.

Mr Dadzie's diplomatically-phrased criticism of the reform programmes the countries have been induced to adopt is given sharper relief in the Unctad report in detailed reviews of seven countries – Bangladesh, Lesotho, Malawi, Nepal, Niger, Sudan and Tanzania. Among the conclusions drawn are:

- adjustment has too often focused on demand restraint action that has left already poor economies operating at even lower levels of output;
- currency devaluation, a common feature of the programmes, appears to have had little effect on exports.
- the emphasis on redirecting resources from public bodies to private entrepreneurs is questioned.

Details and analysis, Page 6

Polish Communists likely to accept secondary Cabinet role

By Christopher Bobinski in Warsaw

THE FORMATION of Poland's coalition government appeared almost complete yesterday with the Communists likely to play a secondary role.

Responsibility for the country's formidable economic problems will rest squarely on Solidarity's shoulders under a deal which Mr Tadeusz Mazowiecki, the Prime Minister, hopes to present to Solidarity's parliamentary group tomorrow.

The Communists are expected to add the Transport portfolio and a deputy premiership to the Defence and Interior Ministries already agreed. They may also take the Foreign Trade Ministry and the government planning office.

Mr Jacek Kuron, a veteran dissident and founder in the 1970s of the Workers' Defence Committee (KOR), told parliamentary colleagues he had agreed to become the Labour Minister.

He faces a daunting task, confronted by workers dismayed at fast-rising prices and still-empty shops.

Management of the economy is likely to go to Solidarity's free market wing which, especially in the last couple of years, has urged privatisation and economic liberalisation.

An important figure in the economic battle will be Mr Leszek Balcerowicz, a 42-year-old academic from Warsaw who will will combine the Finance Ministry with the post of the deputy premier responsible for the economy.

He will be supported by Mr Waldemar Kuczynski, another academic of similarly liberal inclinations, who has spent the last six years working in a French research institute.

The Peasants' Party (ZSL) is expected to get the Farming post.

Parliamentary committees are hoping to conduct hearings on Friday when it is expected that the final government make up will be officially announced.

Yesterday, Mr Zbigniew Romaszewski, a Solidarity senator, complained about the way in which Mr Mazowiecki has gone about putting together his Cabinet.

"We are in the situation Communist Party deputies were in a few years ago when decisions were taken for them and they had no choice other than to vote in favour," he said.

As work on the government continued, General Wojciech Jaruzelski, Poland's President, appointed new military commanders in all three of the country's military districts, the air force and the chief quartermaster's office.

Rarely have such changes been made all at once. They bring younger men to the fore, leaving in place key figures such as the army's chief of staff and the head of the military's political wing.

Japanese warn buyouts impair US long-term competitiveness

By Robert Thomson in Tokyo

JAPANESE trade negotiators yesterday raised serious doubts about the impact of leveraged buyouts and other acquisitions on the long-term competitiveness of US companies.

Their comments came on the final day of the first round of Structural Impediments Initiative (SII) talks in Tokyo. The discussions have the aim of prompting both countries to make significant policy changes to encourage trade, although Japanese officials, in particular, have been sceptical about the worth of the programme.

After spending Monday listening to US complaints, Japanese representatives yesterday delivered their own lists of areas to be examined for possible reform. They began with a criticism of low US savings levels and a warning that a lack of investment by US industry has encouraged the flow of imports into the US.

The Japanese delegates also criticised the "short-term" outlook of some US companies and raised doubts about the wisdom of leveraged buyouts and predatory market practices, which one trade official said encouraged companies "to regard short-term profit as most important" and could "weaken resistance to a downward economic movement."

There were also Japanese concerns about US restrictions on foreign involvement in its domestic transport industry, and import relief programmes that "make US companies less competitive."

Anti-trust laws, the poor training of workers, and US companies' attitude to exporting were also cited as possible structural impediments.

A Japanese official said the meeting's mood was "quite positive" though he feared the US, while officially regarding the talks as a vehicle for change in both countries, was determined to force changes in Japan without being prepared to consider significant adjustments itself. "They accept that these things are problems, but then they tell us that new policies are already in place."

Under the schedule for the talks – to be held every two months – an interim statement will be produced next spring and a final report a few months later.

Mr Richard McCormack, Under-Secretary of State for Economic Affairs, said the inspiration for the talks was a $50bn-plus bilateral trade deficit.

He said the basic theme of US arguments is that "the ordinary Japanese consumer ought to have a better shake." Conscious that some Japanese argue that their economic system is not suitable for judgment by US standards, Mr McCormack said there was nothing unique about the distribution system, which is "like that of the US in the 1920s," when "mom and pop stores" had an important but declining role.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	F	24	75	Dubrovnik	S	22	72	Malta	S	30	86	Rhodes	S	29	84
Algiers	S	29	84	Edinburgh	C	16	61	Manchester	S	18	64	Rio de J'o	C	23	73
Amsterdam	S	20	68	Faro	S	26	79	Manila	C	30	86	Rome	S	24	75
Athens	S	30	86	Florence	S	24	75	Melbourne	F	14	57	Salzburg	C	12	54
Bahrain	S	36	97	Frankfurt	F	19	66	Mexico City	F	24	75	San Francisco	F	11	52
Bangkok	F	33	91	Funchal	C	21	70	Miami	S	27	81	Seoul	C	25	77
Barcelona	S	24	75	Geneva	S	17	63	Milan	S	21	70	Singapore	F	26	79
Beirut		–	–	Gibraltar	S	26	79	Montreal	S	14	57	Stockholm	S	17	63
Belfast	C	16	61	Glasgow	C	16	61	Moscow	F	16	61	Strasbourg	F	20	68
Belgrade	C	15	59	Guernsey	F	18	64	Munich	F	15	59	Sydney	C	15	59
Berlin	C	17	63	Helsinki	F	16	61	Nairobi		–	–	Taipei	C	32	90
Biarritz	S	20	68	H. Kong	F	32	90	Naples	S	25	77	Tangier	F	25	77
Bombay	F	30	86	Innsbruck	F	14	57	Nassau	F	33	91	Tel Aviv	S	31	88
Bordeaux	S	22	72	Inverness	R	15	59	New Delhi	C	32	90	Tenerife	F	25	77
Brussels	S	16	68	Islamabad	F	34	93	New York	S	17	63	Tokyo	R	25	77
Budapest	C	18	64	Istanbul	S	26	79	Nice	S	23	73	Toronto	F	18	64
B. Aires	F	20	68	Jakarta	C	32	90	Nicosia	S	29	84	Tunis	C	26	79
Cairo	S	32	90	Jersey	S	21	70	Oporto	S	25	77	Valencia	R	17	63
Cape Town	T	10	50	Jo'burg	S	23	73	Oslo	S	20	68	Venice	S	21	70
Caracas		–	–	Lima	R	18	64	Paris	S	20	68	Vienna	R	14	57
Casablanca	F	25	77	Lisbon	S	25	77	Peking	C	24	75	Warsaw	S	17	63
Chicago	F	17	63	London	S	22	72	Prague	F	15	59	Washington	F	17	63
Cologne	S	18	64	Los Angeles	F	17	63	Reykjavik	R	9	48	Zurich	F	16	61
Copenhagen	C	15	59	Luxembourg	F	16	61								
Corfu	F	26	79	Madrid	F	21	70								
Dallas		–	–	Majorca	C	22	72								
Dublin	F	15	64	Malaga	S	26	79								

Readings at mid-day yesterday

C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

German economy soars

Continued from Page 1

stant prices, exports of goods and services advanced by 15 per cent compared with 10 per cent in the first quarter, with a 14 per cent increase in industrial equipment spending against 7 per cent in the previous three months.

The second quarter GNP level showed a 0.5 per cent dip, however, on the first quarter which benefited from a surge in construction spending stimulated by mild weather. Building investment in the first three months was 12 per cent above the same period of 1988, tailing off to a rise of just over 5 per cent in the second quarter.

A large push for this year's GNP has come from the rise in income from abroad. In the second quarter, foreign income soared by 28 per cent. This accounted for the slightly lower growth rate of 4.4 per cent in gross domestic product, which excludes outside income, compared with the 4.9 per cent rise in GNP.

Trading halted

Continued from Page 1

tle, treasurer of the Commodity Credit Corporation (CCC), said that between $700m and $800m of the Atlanta credits were guaranteed by the CCC.

Mr Little said CCC inspectors were working in Atlanta alongside officials of the FBI, the Federal Reserve, the Atlanta district attorney's office and inspectors from the Italian central bank.

The Italian central bank is particularly concerned about whether the CCC guarantees would remain valid should the Atlanta loans prove to be in any way fraudulent.

FINANCIAL TIMES
COMPANIES & MARKETS
Wednesday September 6 1989

INSIDE

Strong showing for ADT at halfway mark

ADT, the electronic security systems and car auction group headed by Michael Ashcroft (left), increased interim pre-tax profits by 32 per cent to £105.8m. ADT is also strengthening its balance sheet with a two-part share issue which will raise up to £272m. Laidlaw Transportation, the Canadian-based school bus and waste management company, is subscribing for half the total to raise its stake in ADT's ordinary shares from 24 per cent to 28 per cent, while the other shares will be offered to ADT's non-North American shareholders in the first such issue since the former Hawley Group moved its domicile to Bermuda at the end of 1984. Clay Harris reports. Page 28

Fair wind for shipbuilders

Three years ago, Japanese shipbuilders were not thinking of profits. Taking on water after the appreciation of the yen in a glutted global market, their minds were concentrated on survival. But in the past year order books have filled and the cut-throat, cut-price competition with South Korean builders has been replaced by a cosier relationship — and this year profits are expected after a decade of losses. Page 24

Cleaning up in London

The increasing use of private service companies in the public sector under the UK's privatisation policy has not gone unnoticed by ISS, the Danish-based international cleaning and building maintenance group. "The UK is one of our most exciting markets," says Mr Poul Andreassen, the company's chief executive for the past 27 years. So, London was a natural choice for ISS's first stock market listing outside Copenhagen. The move comes as part of the company's attempt to raise finance for further growth. Page 23

Evolution stirs in milking parlour

In Mrs Thatcher's Britain, the milk marketing system looks like a dinosaur. Born at a time when the country's dairy farmers were suffering from a severe farm recession and were in need of protection against much stronger dairy companies, it has lately come under pressure — from both discontented home producers and European Community competitors. Above all, it fits uneasily with the forthcoming single European market. But, although there is talk of reform, it is far from clear what route this might take. Bridget Bloom reports. Page 32

Waking up in land of the giants

The tiny Jakarta stock exchange is finding out small is beautiful, as it swaps its sleepy image to become Asian flavour of the month. Foreign buyers are helping the exchange reach record levels and a new company is being listed every two weeks. John Murray Brown reports on the transformation of an exchange which still closes early for Friday prayers. Page 52

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)				Valeo	921	+	34.3
Rises				**Falls**			
Karstadt	638	+	17	Fichet	1249	-	48.9
Mad Ord	377	+	15	Nav-Mixte	1121	-	58.7
Siemens	605.5	+	12.2	SEB	1086	-	38.6
Veba	388.2	+	11.2	Via Banque	436	-	12.6
Falls				**TOKYO (Yen)**			
Feldmuhle	455	-	11	**Rises**			
Vag	349	-	5.5	[illegible]	2600	+	230
NEW YORK ($)				Fujiya	1580	+	180
Rises				[illegible]	1000	+	100
AMR	91⅝	+	1⅞	**Falls**			
Brit. Airways	34⅞	+	1⅞	Sun Telephone	1290	-	80
Johnson & John.	54⅝	+	1⅝	Wakamoto			
Occidental Pet.	28⅞	+	1⅝	Pharm.	1420	-	140
UAL	292½	+	5¼	Yokohama			
Falls				[illegible]	1600	-	270
Procter & Gam.	127⅞	-	⅞				
PARIS (FFr)							
Rises							
Synthelabo	497.5	+	31.3				

New york prices as at 12.30pm.

LONDON (Pence)				Lonrho	313	+	7
Rises				RTZ	587	+	8
ADT	211½	+	2½	Rothmans	269	+	11
Allied-Lyons	568	+	11	Shell	445	+	9
Brit. Airways	218	+	10	**Falls**			
B.P.	310	+	4½	Beazer	249	-	13
Capital Radio	1003	+	37	Brent Walker	374	-	15
Enterprise Oil	693	+	5	Metal Closures	181	-	6
Fairey Grp.	229	+	14	Midsummer Leis.	[illegible]		
First Nat. Fin.	223	+	7	[illegible]			
Grand Met	657	+	9	[illegible]	189	-	17
IMI	252	+	13	[illegible]	307	-	12
Kleinwort Ben.	370	+	23	[illegible]	152	-	8
LASMO	542	+	8	Standard Chart.	536	-	11
Logica	353	+	12				

Brent Walker buys GrandMet betting shops

By Lisa Wood in London

GRAND METROPOLITAN yesterday sold its Mecca and William Hill betting shops to Brent Walker, the leisure and property group, in a cash deal worth about £685m ($1,075m).

The share price of the heavily indebted UK brewing and retailing group rose by 9p to 657p on the widely-expected announcement. But Brent Walker's shares fell by 6p to 98p.

Brent Walker, which has financed the deal in a complex off-balance sheet arrangement with a syndicate of banks, also announced that it was selling 90 per cent of its Whyte and Mackay whisky company to a management buy-out team led by Murray Johnstone, the Scottish fund management group. This disposal, and that of four French vineyards, is expected to raise about £220m. Brent Walker paid Lonrho, the international trading group, £180m for the whisky company and the vineyards last November.

The sale of its Goldcrest film company to a management buy-out team, for about £90m, is also expected to be announced shortly by Brent Walker.

The acquisition of the 1,500 betting shops makes Brent Walker the second largest bookmaker in the UK after Ladbroke.

Brent Walker, which already owns 119 outlets, will sell about 36 outlets to comply with guidelines provided by the Monopolies and Mergers Commission, which investigated the £331m acquisition last December of William Hill by GrandMet, and set limits on the concentration of outlets.

Profits of William Hill and Mecca are expected to be at least £55m for the year ended September 30. This is in respect of Mecca for the full year and for the 9½ months that GrandMet has owned William Hill. The purchase price will be reduced if profits fall below £51m.

The acquisition will be made by a new company, to be called William Hill Group. Its ordinary share capital will be owned by the participating banks but will be controlled by Brent Walker.

Brent Walker will subscribe initially for about £245m of William Hill Group convertible loan stock and the banks will make available to the company a five-year loan facility of £350m. Brent Walker will subscribe for a further £50m of convertible loan stock in 12 months.

The convertible loan stock subscribed to by Brent Walker will be convertible into ordinary shares of William Hill at any time after the second anniversary of completion of the acquisition.

GrandMet, which earlier this year paid $5.7bn for Pillsbury, the US food group, said that after a review of international betting opportunities it had decided to concentrate on its international retailing businesses in food, drinks and eyecare. Separate negotiations are proceeding for the sale of its betting shops in Ireland and Belgium.

CRA rises despite Bougainville troubles

By Chris Sherwell in Sydney

CRA, the Australian resources group which is 49 per cent owned by RTZ Corporation of the UK, boosted interim earnings by more than a third, helped by increased production and higher prices for iron ore, zinc and diamonds.

But as the company was reporting equity accounted net profits of A$311.9m (US$238m) for the six months to June, up from A$227.6m, further trouble developed at Bougainville Copper, its 53 per cent held mine in Papua New Guinea.

An attempt yesterday to restart operations, halted since mid-May, was abandoned after gunshots were fired at buses carrying mine employees.

The attack was presumed to have been the work of landowners who want the mine shut forever. No one was injured, but Bougainville, describing itself as "profoundly distressed," said it had "immediately ceased production operations until further notice."

Lost output since mid-May amounts to almost 200,000 tonnes of copper concentrate, worth US$200m, and CRA acknowledged yesterday that Bougainville Copper would not make a significant contribution to its profit in the second half.

None the less, CRA added that its own diversity and the reduced threat of international recession meant group profits "should continue to be satisfactory."

Results, Page 34; Bougainville shutdown, Page 42

Days of decision for institutional investors

David Waller examines the rapidly changing role of Britain's most powerful shareholders

Institutional investors, the big insurance and pension funds who are potentially the nation's most powerful shareholders, are normally content to play the role of *éminence grise* in the affairs of the companies whose shares they control.

But at times, often when they are faced with a decision on which side to favour in a takeover bid, they must make decisions which can have a long-term impact, not only on the value of the assets of the investors whose savings they are managing, but also on the industrial structure of the nation.

The decision the big shareholders in Plessey will make at the end of this week on whether or not to accept the takeover bid from GEC-Siemens is such an event. For the outcome of the £2bn GEC-Siemens/Plessey bid will have profound repercussions for the future of the defence and telecommunications industries in the UK if not in Europe as a whole.

Moreover, it comes at a time when questions about how the institutions are wielding their considerable powers are once again being raised.

Recent bid battles have provided several examples of fund managers taking centre stage in the hope that their publicly voiced opinions could change the course of events.

Some institutional investors have for example, criticised the management buy-out at Magnet, the kitchen furniture and do-it-yourself equipment company, condemned the Boots bid for retailer Ward White and lambasted Sir James Goldsmith for his assault on BAT Industries.

These events have raised once again the question of how the institutional investors make their decisions. Are they, in an era of financial innovation in the mergers and acquisitions market giving greater weight to different factors in making their decisions and is the role of institutional investors changing?

Like all shareholders institutions are motivated by self-interest. They also have fiduciary responsibilities to their customers, the savers whose funds they manage, but they have considerable discretion in balancing these responsibilities. They must decide, for example, whether to accept a cash bid and realise profits today or stick with a takeover target on the grounds that in the long term it will be a better investment.

Many institutional investment fund managers are vocal, even garrulous, on these matters – but only if their comments remain strictly "off the record" amid the heat of a bid battle, for they are usually reluctant to be seen putting themselves in the position of publicly influencing the bid tactics.

Some see themselves as being torn between pragmatism, on the one hand, and principle on the other. "There would be no point sounding forth publicly on a philanthropic note, only to find ourselves hoist by our own principled petard when in the midst of another bid situation," said one investment manager yesterday.

How they see their responsibilities depends, to a great extent on the nature of the investment fund. At one extreme, there are the index-linked funds whose goal is to mirror the performance of broad stock market indices. They say they take no decisions whatsoever during the course of a bid, only casting their computerised vote when the outcome is clear.

Then there are the aggressively managed funds for which short-term performance is all, and wider issues of national interest or the long-term prospects of a company are of no consequence.

And beyond this there is the great mass fund managers whose investment priorities will often differ according to the needs of their clients.

Pension funds, which pay no taxes, are on the whole, inclined towards the short-to-medium term view of their responsibilities. Insurance companies – for whom cash bids are an abhorrence because they are then forced to pay tax on any capital gains – are inclined towards taking a longer-term view. But even long-term investors cannot ignore short-term financial considerations.

"There is always a price at which it would be absurd not to accept a bid, irrespective of the industrial logic behind it," acknowledged one fund manager. "But," he added referring specifically to the GEC-Siemens bid for Plessey, "in this case, as in most others, the price is not compellingly attractive and so is just one of the multitude of factors that must be weighed up when it comes to making a decision. One has to look at the management on both sides, and at their respective strategies. One has to come to a fundamental view about the industries in which the two companies are major players."

Contacts between the City and industry have grown over recent years and formal presentations from senior management to institutions may take place as often as four times a year. In the midst of a takeover situation, the contacts grow more frequent.

Today, for example, Lord Weinstock at GEC and Mr Stephen Walls, his counterpart at Plessey, will both probably make four or five last minute presentations to key institutions, lasting perhaps an hour apiece.

Fund managers who have already heard many of the arguements – Plessey has been under siege by GEC-Siemens for well over a year – still appear divided. Some feel that GEC's offer – while parsimonious in the extreme at 270p a share – is just the working out of industrial forces much greater than the men involved. ("With hindsight, when Weinstock and Sir John Clark [chairman of Plessey and Lord Weinstock's old enemy] are forgotten, the rationalisation of the industry will seem inevitable.") Others balance instability at the top of Plessey and Mr Wall's relative inexperience with Lord Weinstock's unimaginative mangement style.

"In the end, it is all rather subjective," lamented one institution. "Part of our problem is that our marketing departments build us up into creatures of fantastical prescience, on everything from the state of the world economy and currency markets to the details of who is running the best industrial company in the electronics sector. Our real expertise is in buying and selling bits of paper and sometimes I feel overawed by the stature we are supposed to have."

When this particular fund manager meets senior management, he say, his main object is to make sure that he does not ask too many daft questions. It is a view which, by implication, suggests that society should not expect the institutional investor to view his public responsibilities as a shareholder too ambitiously. Not surprisingly this investment manager says of the dilemma presented by Sir James's Goldsmith's £13.5bn bid for the tobacco to financial services conglomerate BAT: "It would be helpful if it would fail for legal or financing reasons. That would give us a very good excuse for continuing to sit on the fence."

"In principle, we will give management the benefit of the doubt," said Mr Andrew Threadgold of Postel. "They have to be allowed the scope to fail, and while we will make our views clear in private, we will not intervene publicly. On a range of issues that impinge on us directly – such as pre-emption right, split share structures and the like – we can and do intervene regularly."

Bouygues chairman steps down as group bids for rest of Screg

By George Graham in Paris

MR FRANCIS BOUYGUES is stepping down from the chairmanship of the company he founded 37 years ago and built into one of the world's largest construction and civil engineering groups.

Mr Bouygues, who will remain a board member of Bouygues, will hand over to his youngest son, Martin, who became vice-chairman a year ago and has in recent years occupied the position of heir apparent. Now aged 66, Mr Bouygues Snr is thought to have been in ill health for some time.

Meanwhile, the group announced yesterday that it was launching a paper bid, with cash option, for the 18.25 per cent it does not already own in Screg, the road building concern it took control of in 1986.

Bouygues is offering seven of its own shares for four of Screg's; the cash option of FFr1200 a share values Screg at FFr4.69bn ($703m).

Screg's board unanimously approved the offer, saying that the increase in Bouygues's stake would help the company's future development.

The buy-out of the minorities in Screg is for Mr Bouygues the capstone to a career which has been more marked by his constructions than by stock market manoeuvres.

From the stadium of Tehran to the new grand mosque of Casablanca, the group has undertaken many of the most spectacular construction projects in the Middle East.

In France, Bouygues has marked – some environmentalists would say scarred – the face of the country with constructions such as the bridge linking the Ile de Ré to the mainland or the Grande Arche de la Défense, site of the recent summit meeting of the seven leading industrialised countries.

Mr Bouygues founded the company in 1952, with 10 employees. Last year, the group numbered 60,500 employees, and made profits of FFr519m on sales of FFr45bn.

Besides construction, Bouygues has diversified into such fields as television – it became the controlling shareholder in France's leading channel, TF1, on its privatisation in June 1987 – and water treatment – it has recently moved into the UK, where it has taken control of a number of water companies.

Swiss Life acquires UK mutual

By David Lascelles, Banking Editor, in London

SWISS LIFE, the largest Swiss life insurance company, is to acquire Pioneer Mutual Insurance of Liverpool in a deal which highlights the continuing shakeout in the European insurance market.

Swiss Life said the acquisition was intended to strengthen its position in the UK and the EC ahead of the creation of the single market in 1992. Mr Christopher Ide, the company's UK general manager, said: "We see the UK as a marketing centre for Europe when 1992 comes along."

Since Pioneer is a mutual, it will have to seek approval from its half million members as well as the courts to change its status. Three-quarters of voting members will have to give their support. But Mr Tony Barnes, the managing director, said he expected the deal to go through by early next year.

Swiss Life, which is based in Zurich, has worldwide funds under management of £12bn ($18.8bn) and annual income of more than £3bn. It has been in the UK, where it specialises in group life and pensions and manages funds of £196m, since 1967.

Pioneer is a 150-year-old company specialising in personal life and pensions business. Its managed funds amount to £148m.

The value of the deal will be agreed by independent actuaries appointed by Swiss Life and Pioneer.

The prices of mutual insurance companies are notoriously hard to assess because they depend on the balance of the existing business, and the future value of pension and life business already written. The only recent precedent was the £14m bid by Britannia Building Society for FS Assurance, a small Glasgow-based mutual life assurance company, now subject to a counter-bid by Templeton, the Bahamas fund management group.

Mr Barnes said his company had been seeking a partner for a year to help it grow.

If the deal goes through, Swiss Life will incorporate in the UK. It also pledged yesterday to preserve the separation between its own sales operations, which uses independent intermediaries, and Pioneer's direct sales force of 400.

The acquisition is the latest in a series of deals on the European insurance scene as companies jockey for position in the proposed single market. Although Switzerland has negotiated a special arrangement with the EC for the free movement of insurance services, Swiss companies are keen to incorporate in EC member states to gain the full benefits of the single market.

INTERNATIONAL COMPANIES AND FINANCE

Andersen discussions with PW progressing

By David Waller

ARTHUR ANDERSEN and Price Waterhouse, two of the world's largest accountancy firms which two months ago went into merger talks, broke their silence yesterday to say that discussions were progressing but that no firm conclusions had been reached as yet.

A joint statement from Mr Joseph E Connor – chairman of the Price Waterhouse international firm and Mr Lawrence Weinbach – chief executive of Andersen – said simply that the initial period of discussion had been beneficial. Talks would continue "until all pertinent issues have been thoroughly explored and definitive conclusions reached".

Given the fact that the PW/Andersen combination will be far the most sizeable professional services firm in the world, there has been immense interest in the accountancy profession and the business world at large as to the outcome the talks.

Moreover, the firms are perceived to have two very distinct business cultures which are not necessarily compatible with one another. Also, tensions between Andersen's audit business and its fast-growing consultancy arm could have scuppered the merger, competitors have said.

Yesterday's statement – on which neither firm would expand – did nothing to answer these questions. It said that partners around the world were participating in task forces which were "exchanging and analysing information on a wide variety of global business issues."

If the merger goes ahead, combined fee income will amount to more than $5bn. In second place will be KPMG, with fee income of $4.17bn after it was joined by Canada's largest firm last month.

Corona quits talks with Bond over BIG control

By David Owen in Toronto and Kenneth Gooding in London

CORONA Corporation, the Canadian group, has called off negotiations to take control of Bond International Gold, the US company which encompasses most of the gold mining interests of embattled Australian entrepreneur Mr Alan Bond.

Moreover, Corona has exercised an option to sell its 7 per cent stake in BIG to another company in Mr Bond's empire, Bell Resources.

"After not being able to reach an amicable and mutually acceptable price agreement on purchase of control, Corona decided to eliminate its position," the Canadian company said.

It also said it will not be exercising an option to acquire a further 20 per cent of BIG from Mr Bond's family holding company, Dallhold Investments, for US$8.25 a share.

When Mr Bond floated nearly half of BIG on the New York stock exchange in August last year – for a total of US$306m, making it the biggest gold company flotation ever – the shares were priced at $11.50 each. Corona will sell its 3.97m BIG shares and 793,651 warrants for US$7.25 a share and $1 a warrant, or close to $30m plus carrying costs.

Last month, the Supreme Court of Canada awarded Corona ownership of the Page-Williams mine in northern Ontario, the country's largest gold mine and one expected this year to produce nearly 500,000 ounces of gold at a cost of less than US$200 per ounce.

However, the court also ordered that C$210m (US$178m) be paid to the losing litigant, Lac Minerals. The mine has C$80m in an escrow account which indicates that Corona and its partner, the Teck Corporation, will have to find C$65m each.

Meanwhile, BIG recently agreed to sell half its stake (11 per cent) in Gold Mines of Kalgoorlie in Western Australia and to pass management control to Poseiden. It also said it had arranged a gold loan for up to 215,000 ounces or US$80m, whichever is the less.

Heinz has strong first quarter

By Roderick Oram in New York

HEINZ has reported a further rise in fiscal first quarter profits with increased sales volume and prices on a number of products setting the pace for the US group's 25th consecutive year of earnings growth.

Net profits were up 15 per cent at $126.5m or 95 cents a share for the three months ended August 2 from $110.1m or 84 cents a year earlier. Revenues rose 5.3 per cent to $1.45bn from $1.38bn.

"The outstanding performance of our major brands should enable us to achieve full-year results which will continue our trend of fiscal growth," said Mr Tony O'Reilly, chairman.

Sales volume grew 5.7 per cent in the quarter with ketchup, Ore-Ida frozen potatoes and Star-Kist tuna showing particularly strong increases.

Volume growth plus price increases in institutional sales of ketchup, corn products and beans in the UK "more than offset the unfavourable effect of foreign exchange rates and lower tuna selling prices," the company said.

With Heinz deriving some 40 per cent of its income from outside the US, analysts are concerned that the currency translation effect of the strong dollar will drag down its earnings this year.

But on the positive side, Heinz is benefiting from lower costs in tomatoes and potatoes and volume increases are healthy across a wide range of products.

Moreover, the company, already a low-cost producer, is spending heavily to improve efficiency in its manufacturing operations.

Analysts are forecasting full fiscal year net profits of around $3.75 a share, up from $3.34 a year earlier.

Australian Cement bid raised

GOLIATH Cement of Australia has accepted a raised A$2.10 per share bid by Australian Cement (ACL), jointly owned by CSR and Pioneer International, Reuter reports from Sydney.

ACL, which holds around 40 per cent of its target, said it had agreed to raise its bid following talks with Goliath. Goliath said it recommended shareholders accept the raised offer, which was unconditional.

ACL previously offered A$1.85 a share for up to 50 per cent of Goliath, rising to A$2 if its stake reached 50.1 per cent. The new offer will close on October 6.

Goliath would continue to operate as a separate company if the bid is successful, ACL said.

● Elders Resources NZFP, the Australasian mining and forestry group, is restructuring its holding in the Kaiser Engineers group. It said it would sell half of its Kaiser Engineers Australia unit to ICF Kaiser Engineers of the US. Elders Resources and ICF would then create Kaiser Engineers International as a joint venture to be based in Hong Kong.

No financial details were given. Elders Resources bought the US-based Kaiser Engineers Group from a consortium of banks in June 1988.

Benetton steps into the US

By John Wyles in Rome

ITALIAN-MADE shoes bearing the Benetton label will make their debut in the US and Canada next spring following the creation of a joint production and distribution company by the Italian clothing manufacturer with Marubeni of Japan and Sports Incorporated of the US.

The new company, which is to be called Benetton Shoes Corporation, will have its headquarters in Portland Oregon. The operation will be supplied by Calzaturificio di Varese, the shoe manufacturing company in which Benetton holds a 60 per cent stake.

The first products to be marketed will be a range of female footwear which, unlike Benetton clothing that is exclusively merchandised through 5,000 eponymous retail outlets worldwide, will be available in department stores and specialised shoe shops.

Occidental Petroleum to reshape operations

By Our Financial Staff

OCCIDENTAL Petroleum, the diversified US energy group, is to restructure its domestic oil and gas operations to improve efficiency and performance.

Occidental said the organisational changes, at Occidental Oil and Gas, will result in a reduction of about 900 employess, and the cost savings from the restructuring and other related changes will be around $100m a year.

The changes, details of which are to be announced later, will significantly affect the unit's Tulsa Oklahoma, headquarters, and will also have an impact on all major offices of the company, Occidental said.

"This restructuring recognises a need to simplify and streamline domestic oil and gas operations while at the same time generating additional cash to sustain or improve capital programmes for exploration and development," said Mr David Hentschel, chief executive officer of Occidental Oil and Gas.

Better margins lift Tradegro profits by 36%

By Jim Jones in Johannesburg

TRADEGRO, the South African retail and wholesale group, lifted sales 17.2 per cent in the year to June and pre-tax profit 36.5 per cent as most divisions increased trading margins.

The group is also negotiating a management buy-out of Rusfurn, its furniture retail chain which has annual sales of R841m ($301m). Tradegro's turnover was R7.20bn and pre-tax profit R179.1m. Net earnings increased to 39.2 cents a share from 28.5 cents.

IBM boosts mid-range computer family

By Alan Cane

INTERNATIONAL Business Machines, the world's largest computer manufacturer, yesterday announced new models in its strategically important mid-range computer family which are designed to increase the appeal of the range to smaller customers.

The computer family, the AS/400 range, was introduced with considerable razzamatazz last June as a replacement for the company's ageing System/36 and System/38 machines and to help stem the defection of customers to other manufacturers' offerings.

Digital Equipment Corporation, for example, had signed up many of IBM's customers through offering a range of machines sensibly graded in power all of which would run the same applications software.

The mid-range is particularly important to computer manufacturers because it is the fastest growing area of the business.

These machines are installed by first-time users as well as departments and subsidiaries of large companies.

Analysts in general agree that the new IBM range has been a substantial success and has reversed the group's competitive position.

IBM claims it has been gaining new customers at its competitors' expense as well as converting existing S/36 and S/38 users.

The AS/400 range covers the middle of the power spectrum, catering for customers who need less than a dozen terminals to those needing 800 or more.

Yesterday, IBM announced two small models, the B35 and B45 which offer approximately 20 per cent more performance for the same cost as the model they supercede. The B35 costs about £16,700; the B45 £38,422.

The launches mean that IBM now offers a smooth mid-range progression from a machine with a maximum of 40 workstations to one offering 800.

The company also announced a raft of software products aimed at making the new machines simpler to use and simpler to connect to other computer system.

In addition it unveiled a new family of video display screens designed, says IBM, to provide better ergonomics for their users.

Wang launch

Wang, the troubled Lowell, Massachusetts, based minicomputer manufacturer which is in financial straits yesterday launched new personal computers based on the popular Intel 80/286 and 80/386 microprocessor chips.

The company has hedged its bets by basing three of them around industry standard designs and the fourth on IBM's "MicroChannel Architecture" which has yet to be adopted as an industry standard.

Sedgwick stays afloat in recession

By Clare Pearson in London

SEDGWICK GROUP, Europe's largest insurance broker, yesterday matched the most optimistic City forecasts when it announced pre-tax profits very marginally ahead for the six months to end-June. A 5 per cent advance to £64.8m ($101.6m), up from £61.9m, was the best that had been expected given the continuing recession in the industry.

The impact of higher interest rates on investment income helped Sedgwick stay afloat, as did the stronger dollar and measures to hold expenses in check.

Adjusting 1988 actual results for 1989 exchange rates, pre-tax profits would have shown a rise of about £500,000. Expenses, up to £269.2m from £256.1m, were static on this basis, while revenues of £336.2m, from £319.7m, showed an increase of 1 per cent.

Earnings per share came out at 10.1p against 9.8p. The interim dividend is maintained at 4p. Interest and investment income rose to £29.4m from £23.7m.

Mr David Rowland, chairman, said insurance market conditions remained difficult although the trends in US insurance rates appeared to be slightly better. This year, North American business had on average been renewed at premium rates 15 per cent lower than 12 months ago. Last year, they were 25 per cent lower.

Mr Rowland said recent UK wage settlements would mean there was likely to be a small increase in expenses in the second half. Staff-cutting moves had seen UK employee numbers fall by 2.1 per cent in the six-month period; by 15 per cent at E.W. Payne North America, the reinsurance broker; and by 3.8 per cent at James Group, the US retail broker.

Plans – devised in response to the difficult environment – to tighten control of Sedgwick's far-flung operations by grouping them into four distinct divisions from the beginning of next year were well advanced, Mr Rowland said.

Sedgwick's Lloyd's underwriting agency was a bright spot, making a profits contribution of £6m against £3.1m last time. This reflected commissions earned during 1986, a highly profitable year for Lloyds.

Mr Rowland also said yesterday that Transamerica of the US, Sedgwick's 39 per cent shareholder, had given notice it would consider itself free to deal in the shares from next March. This followed the expiry of a standstill agreement, dating from Sedgwick's acquisition of James Group, at the end of last month.

However, Transamerica had said it had no present intention of buying or selling. "This is a position both sides are very happy with," Mr Rowland said. Sedgwick earlier this year asked Transamerica directors to stay on its board rather than automatically resigning when the agreement expired.

Ahold advances by 40%

By Our Financial Staff

AHOLD, the big Dutch food retailer, boosted net profit in the 12 weeks ended July 16 by 40 per cent to Fl 42.1m ($19.1m) from Fl 30.1m in the second quarter of 1988, buoyed by strong underlying business and currency translation gains.

Earnings per share gained 35 per cent to Fl 1.96 from Fl 1.45 a year earlier when there were fewer shares outstanding.

Sales in the latest second quarter rose 15.8 per cent to Fl 4.17bn from the year-ago Fl 3.60bn. That rise was also aided by the sharp appreciation of the US dollar this year.

Reflecting the firm financial performance so far in 1989, Ahold increased its interim cash dividend to a combination of 55 guilder cents plus 10 US cents from 50 guilder cents and 5 US cents a year earlier.

Shareholders were also offered the option to obtain one new share for each 100 already held in lieu of the cash pay-out. Ahold did not offer a share option for its 1988 interim dividend.

"The company's results were well above analysts' forecasts. Mr Fokko Tuin, analyst with Amsterdam investment bankers Kempen & Co, said that, despite earlier indications from the company that the second quarter might surpass previous expectations, "the strength of these results was far beyond our expectation of around 20 per cent growth."

Cockerill offer price set

By Our Financial Staff

SHAREHOLDERS in Cockerill Sambre, Belgium's state-owned steel company, yesterday approved a price of BFr220 a share for a public offering of 35m preferred shares with warrants which will raise around BFr7.7bn ($188m).

The offering price was more than the BFr210 a share originally proposed by Cockerill's management when the offering was announced on August 16.

The operation will raise the proportion of Cockerill shares that are publicly traded to 12.6 per cent from less than 2 per cent. Mr Jean Gandois, chairman, said after an extraordinary shareholders' meeting in Brussels that the exercise price for each warrant attached to two new shares had been set at BFr250.

Mr Gandois said the slight increase in the share issue price reflected the surge in Cockerill's share price that followed the announcement of its capital increase plan.

Noting that some people had criticised him for not pitching the price higher, Mr Gandois said he considered BFr220 a "serious" level given that the steel industry was enjoying an exceptional boom that would not last forever. "I don't want shareholders to be disappointed in three years' time," he said.

Shares in Cockerill closed at BFr482 on Monday before being suspended.

Spar Handels helped by regional purchase

NEWS IN BRIEF

SPAR HANDELS, the West German food retailer, said Tuesday its pre-tax profit surged 89 per cent to DM20.2m ($10.3m) in the first half of 1989 from DM10.7m a year earlier, AP-DJ reports.

The company traced part of the gain to its merger with Spar-Südwest, a regional food wholesaler, at the end of June. Without Spar Südwest, earnings would have climbed 51 per cent to DM16.2m from DM10.7m, Spar said in an interim report.

Sales climbed 47.3 per cent to DM3.58bn from DM2.43bn, mostly because of the merger. Excluding Südwest, turnover was up 8.1 per cent to DM2.62bn from DM2.43bn.

■ Hertel, the West German tool maker, said its group net income jumped 57 per cent in the first half of 1989 from a year earlier because of higher capacity utilisation and a favourable trend in commodity prices, AP-DJ reports.

Net income climbed to DM29.3m from DM18.6m a year earlier. Group sales advanced 11 per cent to DM302.8m from DM272.6m, Hertel said in an interim report.

Company officials, citing a continuation of the positive trend, said they were likely to raise the 1989 dividend to DM11 for each preferred share from DM10 in 1988.

■ Générale de Banque, Belgium's largest commercial bank, and Groupe AG, the country's largest insurer, plan to co-operate in selling life insurance policies, spokesmen for the two companies said yesterday.

The companies said they had formed a company called Alpha Life, with start-up capital of BFr80m ($2m).

It would begin operations next year, selling life insurance policies through Générale de Banque's branch network.

Elf raises first-half profits 40% to FFr4.3bn

By Our Financial Staff

ELF AQUITAINE, the big French state-controlled oil group, yesterday announced a 40 per cent rise in first-half net attributable profits to FFr4.3bn ($653m) from FFr3bn a year earlier.

Elf attributed the strong performance to growth in sales in the oil and gas sector, helped by rising prices. Its other prominent areas of chemicals and health and beauty products also performed well. Turnover rose sharply from FFr59.6bn to FFr72.6bn.

Earnings per share in the first half were FFr41 against FFr30 a year earlier. For 1988 as a whole Elf had net earnings of FFr7.2bn or FFr72 per share.

Elf said mild winter weather in the Northern hemisphere cut sales in oil refining and distribution in the first quarter. A surge in crude oil prices also squeezed refining margins in the first three months of the year, but that situation improved in the second quarter as product prices rose.

Overall cashflow in the sector for the first six months was about the same level as in the first half of 1988, Elf added. The chemicals sector continued strong overall, despite some slowdown in petrochemical products markets. Chloride chemical products and engineering polymers continued to do well.

At group level, cashflow after exploration costs rose to FFr12.4bn from FFr9.5bn in 1988. Cashflow before oil exploration was up 30 per cent compared with the first half of 1988, in line with the increase after exploration costs.

At Sanofi, the publicly-quoted pharmaceutical and cosmetics subsidiary in which Elf has a 50.7 per cent stake, first-half group net profits rose 28 per cent from FFr323m to FFr415m. The 1988 figure excludes an extraordinary gain of FFr211m.

Turnover increased 20 per cent over the equivalent 1988 period, from FFr7.15bn to FFr8.59bn. The biggest rise came in the bio-activities division where sales rose 28.2 per cent to FFr3.52bn.

ISS courts expansion . . . and the City's coffers

Hilary Barnes on the Danish building maintenance group's forthcoming London listing and issue

The Danish-based international cleaning and building maintenance group, ISS, is to tap the international markets for equity capital this month, with an issue to be made in London in conjunction with a listing on the London stock exchange.

"We are now a middle-sized international company and we need to approach the international markets for finance for further growth," said Mr Poul Andreassen.

Mr Andreassen has been chief executive at ISS for 27 years, master-minding the expansion of what was then a medium-sized Danish cleaning company to its present position as the world's largest business in its field.

Turnover in 1989 will come close to DKr10bn ($1.3bn) and the group has more than 100,000 employees in Scandinavia, Europe, the US and Brazil.

The choice of London for ISS's first stock exchange listing besides Copenhagen was not made only for financial reasons. ISS has a strong presence in the UK market and will this month formally open the headquarters of its European division near London.

"The UK is one of our most exciting markets by virtue of privatisation and the use of private service companies in the public sector, so it was natural for us to place our European headquarters in London," said Mr Andreassen.

The group has expanded particularly rapidly through acquisitions over the past two years. The biggest of them was ADT, a US cleaning company with 28,000 employees, which cost $69m. Other acquisitions, in the UK, Germany and Scandinavia, have cost an additional DKr640m over the same period.

Poul Andreassen: UK an 'exciting market'

The cost of the acquisition programme showed up in the first-half interim report, both in the profit and loss account and in the balance sheet. The ADT acquisition was financed by borrowing, which sent net financial costs soaring from DKr3.5m in 1988 to DKr44.7m this year.

However, pre-tax profits increased from DKr54.2m to DKr82.2m on sales up from DKr3.22bn to DKr4.65bn. "Of course, we have to pay back more, but we have shown in the first half that we can," said Mr Andreassen.

An immediate write-off of goodwill on all acquisitions except ADT (for which goodwill will be written off over 20 years) caused a reduction in equity capital from DKr618m to DKr513m, taking the equity-to-assets ratio to 15 per cent.

Mr Andreassen is not perturbed. "Our cashflow is good. The equity ratio will correct itself in the course of a couple of years through consolidation. But if we are going to continue to expand, we need more money."

Shareholders have received a good deal from ISS, Mr Andreassen believes. Earnings per share have increased from DKr34 in 1984 to DKr56 in 1988, adjusted for share issues, and the dividend has grown from DKr12.6m in 1984 to DKr27.1m last year. The after-tax yield on shareholder's equity last year was 19.7 per cent, down from 22.7 per cent in 1984.

Mr Andreassen sees growth over the next few years coming mainly from contracts with public-sector institutions, especially hospitals. Last year ISS bought Mediclean, a UK hospitals cleaning and service company, and ISS hopes to use its experience in the UK market to develop the market in the rest of Europe.

"The potential in hospitals is enormous, but it is not an easy market. We shall use the knowhow we gained with Mediclean as the basis for developing services in the rest of Europe," said Mr Andreassen.

FIVE-YEAR RECORD (DKr m)

	Consolidated turnover	Pre-tax profits	Total assets	Dividend payout	Employees (year-end)
1984	4,732	100.4	1,742	12.6	51,940
1985	4,733	103.7	1,721	14.7	56,495
1986	4,981	118.8	2,036	17.8	60,991
1987	5,384	155.7	2,072	21.5	65,821
1988	6,609	202.5	3,126	27.1	100,150

Finnish insurers end dispute over managing director

THE SUPERVISORY boards of Finland's Vakuutusosakeyhtiö Pohjola and Suomi-Salama insurance companies have appointed Mr Yrjo Niskanen managing director and chairman of the board of management of both companies, ending a long boardroom dispute, Reuter reports from Helsinki.

Pohjola's managing director until September 4, Mr Pentti Seppala, was demoted to deputy but also made deputy of Suomi, an independent company within the Pohjola group, a spokesman said.

The row began in May when Mr Niskanen lost his seat on Pohjola's management board after disagreement with then-group chief executive Mr Pentti Talonen, who has since left the company.

The title of group chief executive is to be abolished.

Japan's shipbuilders again afloat

Profits are expected after a decade of losses, writes Robert Thomson

WHEN Japanese shipbuilders were taking on water after the appreciation of the yen in a glutted global market three years ago, the prospect of profits was far from the thoughts of the industry's Big Six, whose minds were then concentrated on survival.

In the past year, order books have filled, profits on shipbuilding are expected this year after more than a decade of losses, and the cut-throat, cut-price competition with South Korean builders has been replaced by a cosier relationship. As one Japanese company official put it, there is harmony in the industry.

Once unfashionable shipping stocks have now become desirable on the Tokyo Stock Exchange, and share demand for Mitsubishi Heavy Industries (MHI), the largest builder, and others such as Ishikawajima-Harima Heavy Industries (IHI) and Kawasaki Heavy Industries (KHI) has been pushed along by brokers hoping that the turnround in the industry will stoke up the stock market.

Now, industry operators suggest that the Japanese companies, which have cut shipbuilding divisions as they have broadened interests in other areas, are able to quote under the stricken South Korean industry for some vessels. Orders are up significantly this year, and an IHI official said that the winds have turned "favourable" – favourable enough for builders with books full until mid-1991 to hold off finalising orders for the distant future in an attempt to lessen the risk from currency fluctuations.

The new-found and hard-fought harmony has just overcome an unexpected obstacle, a demand by the Shipbuilders' Council of America that the US Trade Representative investigate allegations of unfair government support for the industries in Japan, South Korea, Norway, and West Germany.

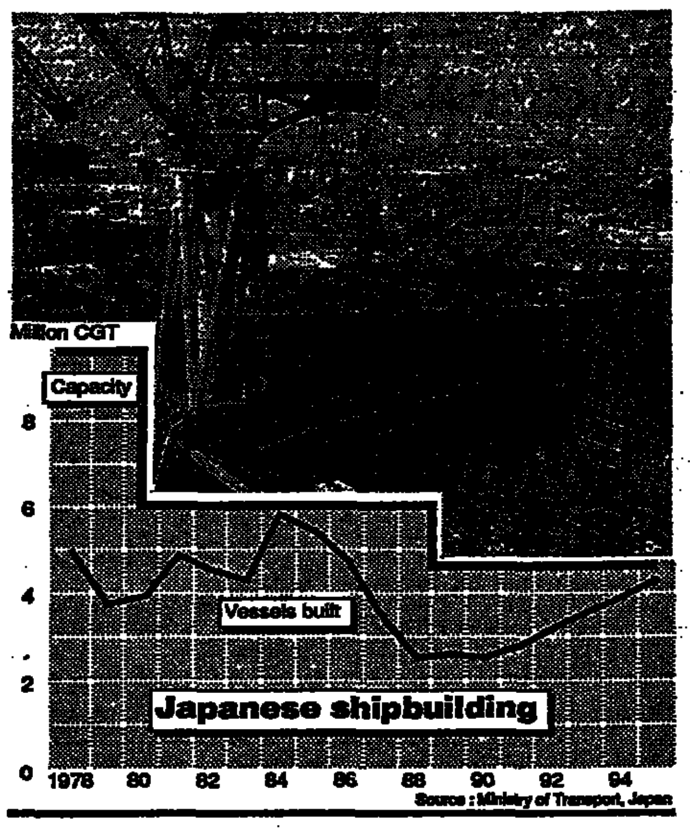
Japanese companies were "nervous" at the thought that shipbuilding could become a symbolic trade issue, as was the case with the campaign by Motorola, the US communications equipment company, to win radio frequencies for its mobile phones in Tokyo.

The US Trade Representative has decided not to pursue the case, which US builders initiated as part of a drive to take a 2 to 3 per cent share of the world market.

Japan's Ministry of Transport; which has overseen the domestic industry's painful restructuring, characterised the allegations as "unreasonable" and argued that they overlooked the OECD role in co-ordinating the revival of international shipbuilding.

Mr Tetsuo Takahashi, of the Japan Shipbuilders' Association, which represents shipbuilding companies, said that a "worldwide intensification of economic activity" is partly responsible for the increased demand, as is the delayed replacement of vessels by shipping lines that now can wait no longer.

He said shipbuilding companies are wary of glutting the market again, although there are signs that a couple of companies are contemplating an increase in their severely reduced capacity.



"Let's pretend that we are going through a long tunnel, and see a light. At the moment, we have a back wind pushing our drive," Mr Takahashi said.

Japan had a 37.6 per cent share of world new orders last year, down from 58.5 per cent in 1984, but a slight increase on the 34.7 per cent of 1987. South Korea, with lower labour costs, had been the biggest threat to the Japanese companies, lifting its share of the market from 9 per cent in 1980 to 30.2 per cent in 1987.

Last year, the South Korean share of new orders fell back to 24 per cent, while West European makers had about 16 per cent.

South Korean builders are showing the strain of the sharp appreciation of the Won and a less docile labour force. In 1987, the two largest companies, Hyundai Heavy Industries and Daewoo Shipbuilding and Heavy Machinery, could offer a 35 per cent discount on Japanese rates. That margin fell to between 10 and 20 per cent last year, and, more recently, a Japanese maker produced a lower estimate for a product carrier than a South Korean competitor.

Mr Adam de V. Parr, a shipbuilding analyst at Barclays de Zoete Wedd, said that there was "absolute shock" among Korean companies at the changing terms of reference: "The reply of Daewoo and Hyundai had people on the edge of their seats. There were fears that price cutting might start again, but that hasn't been the case."

Japanese companies argue that they have paid a high price for improved prospects. In April 1987, the Ministry of Transport enforced the awkwardly titled Temporary Measures Law Concerning Operation Stabilisation of Designated Shipbuilding Enterprises, which resulted in a 24 per cent cut in capacity from 6m cgt (compensated gross tons), the departure of 18 of 44 companies from the industry, and a 45 per cent fall in the labour force. That was the second readjustment in the industry, following on from a reduction of capacity from 9.8m to 6m cgt in 1979-80.

MR Takao Shinohara, director of the Transport Ministry's international affairs office, said that stability came to the industry after the South Korean makers were forced to the negotiating table by serious financial problems.

"The Koreans were very ambitious. They had little experience of consulting with foreigners on prices. Two years ago they got many orders at low prices, and now that the Won has risen and labour costs have risen, they want to increase prices, but the ship owners want to stick to the prices in the contracts. The South Koreans had no choice but to consult," Mr Shinohara said. He expects that that demand for ships will rise "moderately," though figures released by the ministry suggest that short-term demand is rising significantly.

The ministry issued 32 shipbuilding permits for a total of 957,637 gross registered tons in July, up from 588,288 grt in July 1988. Permits for 4.88m grt were issued for the year which ended in March, while in the first four months of the current year the figure had already reached 3.46m grt.

Companies long recognised as shipbuilders have shifted their focus away from the industry, with only 13 per cent of MHI's sales derived from shipbuilding, 14 per cent at IHI, 7 per cent at KHI, and 13 per cent at Hitachi Zosen.

MHI has done well from defence contracting and is involved in the FSX fighter joint venture with General Dynamics, while other companies in the industry are concentrating on aerospace, heavy machinery, and, in one case, tea cultivation.

The Tokyo market appeal of shipbuilding stocks has been enhanced by their sizable land holdings around Tokyo Bay. IHI and Sasebo Heavy Industries have particularly large holdings, and grand plans for their plots, including office complexes, a marina, and the inevitable condominiums.

Still, the possibility of renewed price cutting remains a threat to the Japanese producers – if the troubled South Korean yards sign heavily discounted contracts, a price war could be declared once more, and Japan's cosy internal cartel could be swamped.

CRA sets earnings record of A$312m

By Chris Sherwell in Sydney

INCREASED PRODUCTION and higher prices for iron ore, zinc and diamonds have helped CRA, the Australian resources group, to beat last year's record interim earnings by 37 per cent.

The company, 49 per cent-owned by RTZ Corporation of the UK, reported equity-accounted earnings of A$311.9m (US$238.5m) for the six months to June, up from A$227.6m in the same period last year.

The figure includes a A$51.5m equity contribution from associates, which came principally from its new Pasminco zinc and lead joint venture with North Broken Hill Peko. Group sales, at A$2.57bn, were down from A$2.85bn last year, when zinc operations were included.

A breakdown of the figures showed increased profits from the Hamersley iron ore operation, the Argyle diamond mine and Pasminco, all due to significantly increased output and sharply higher prices.

These were partially offset by lower contributions from the group's coking coal operation and the troubled Bougainville Copper mine, which attempted unsuccessfully to reopen yesterday, and a static performance from the Comalco aluminium group.

CRA enjoyed lower financing costs, because its strong cash flows earned higher interest income and enabled debt repayments of almost A$300m. However a stronger Australian dollar than in the first half last year reduced revenues for products priced in US currency by 8 per cent.

The figures also showed an extraordinary item of A$58m, reflecting the sale of its remaining 11 per cent stake in Metal Manufactures, the Australian subsidiary of BICC of the UK.

Overall, earnings per share rose to 54.7 cents before extraordinary items, up from 40.7 cents. Directors declared an interim dividend of 20 cents per share, fully franked, which compares with an unfranked interim dividend of 18 cents last year.

On the outlook, the group said supply factors had been the dominant cause of price movements, and this was expected to continue into next year. Results "should continue to be satisfactory."

Commodities, Page 42

UIC sells QAF holding

UNITED INDUSTRIAL Corporation (UIC), a Singapore listed conglomerate, has sold its 19.2 per cent holding in QAF, a food-based investment group, for about S$33.6m (US$17m), Reuter reports from Singapore.

The 54.25m shares were sold at 62 cents each, giving UIC a profit of about S$11.7m. UIC said the sale was made on the market through stockbrokers, adding that there were no deferred payment terms.

UIC is to use the proceeds to reduce existing borrowings and for working capital. Brokers said the QAF shares were taken up by several investors including Hong Kong fund managers.

Yesterday UIC shares closed 3 cents higher at S$2.07, while QAF was trading 0.5 cent firmer at 65 cents.

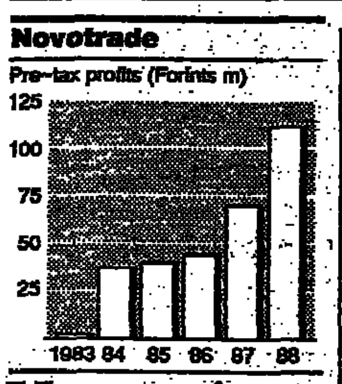
Sumitomo Bank to raise Y183bn

SUMITOMO BANK of Japan is to offer 50m new shares to the public, expecting to raise around Y183bn ($1.27bn) for working capital, Reuter reports from Tokyo.

The price of the shares will be set by the board. Payment is due on September 30.

Sumitomo's outstanding capital was 2.78bn shares as of August 31.

INTERNATIONAL CAPITAL MARKETS



Hungarian issue cues Western rhapsody

Judy Dempsey on a pioneering Eastern block company that has successfully tapped Western capital markets

In what is regarded as a test case for future Hungarian businesses seeking capital in the West, a small private company has successfully issued shares through Girozentrale, Austria's second largest bank.

On the face of it, the financing was remarkable because the forint, the Hungarian currency, is not convertible. That, in itself, would make Western investors wary. But, thanks to ingenuity on both sides, the initial offering of Ft30m ($500,000) was oversubscribed in Vienna by a factor of 8:1.

The company concerned is called Novotrade. It specialises in software development, employs 200 people and was anxious to increase its capital in hard currency. Mr Gabor Renyi who heads Novotrade reckoned the company was in good enough shape to attract outside capital.

The figures speak for themselves. When it was founded in 1983, Novotrade's first-year sales totalled Ft34m. By 1988 turnover had topped Ft2.5bn and profits before tax had reached Ft112.2m.

Over that period, the company had diversified to encompass desktop publishing and computer/software shops, and the management of Sotheby's showrooms in Budapest. Share capital had grown to Ft236.8m, of which half is now held by the company itself.

It was only a matter of time before the company would need hard currency. But the move was not easy. Despite the positive publicity surrounding Hungarian economic reform, it has not been that conducive to private companies wishing to tap Western capital.

One reason is that Hungarians are only allowed to hold bearer shares denominated in forints. They are not allowed to buy foreign shares; and foreigners are not allowed hold bearer shares in Hungary. Corporate managers in Budapest feel that the Hungarian authorities still have a lingering suspicion, tinged with ideological overtones, that any well-run Hungarian company would be prey to a takeover if Western investors could openly buy bearer shares.

However, in a spirit of compromise which is so typical of the Hungarian authorities, foreigners can hold a certain percentage of registered shares in a Hungarian company, if it is acquired with hard currency.

Hungarian sceptics have worried about the non-convertibility of the forint. But Girozentrale had other ideas about interpreting Hungary's current stock exchange practices and legislation.

Earlier this month, Novotrade issued 120 registered shares, each worth a nominal value of Ft250,000 with a subscription price of 130 per cent of their nominal value. According to Mr Peter Zelnik, a capital market analyst at Girozentrale, the issue, which was carried out with the minimum of publicity, lasted three days.

The novel aspect to the issue is that, if foreigners want to buy more shares, Girozentrale will be able to buy bearer shares in Hungary and convert them into registered shares. "We will, however, be trading only in bearer certificates," explained Mr Zelnik. "They are not registered as such, but they will carry full dividend and voting rights."

Novotrade's share issue is too small to be quoted on the Vienna bourse. Mr Zelnik says that the market is extremely narrow while in order to meet stock exchange regulations, Novotrade needs to bring its accounting into line with Western standards of disclosure.

However, he does not rule out a full bourse listing at some future date. A Western accounting firm is at the moment preparing a consolidated balance sheet and profit and loss account ahead of the day when Novotrade feels the time is ripe to enter the wider world of stock market trading.

In the meantime, Novotrade and Girozentrale are waiting for September 18, when trading (by phone) in the shares gets underway. If everything goes according to plan, Novotrade expects to issue a second tranche in November.

Treasuries lose ground as inflation fears resurface

By Janet Bush in New York and Katharine Campbell in London

US TREASURY bonds fell yesterday morning amid concern about the outlook for interest rates.

At mid-session, some long-dated issues were as much as ¾ point lower while the Treasury's benchmark long bond was quoted ⅜ point down from its close before the three-day holiday weekend to yield 8.14 per cent.

The weakness yesterday came in response to a press report suggesting that some of the US Federal Reserve's regional bank governors are considering raising interest rates and that inflationary pressures could start to rise again.

GOVERNMENT BONDS

Although the latest US purchasing managers' report on economic activity pointed to continued weakness in the manufacturing sector, employment figures for August and upward revisions in the non-farm payroll in both June and July provided evidence of some momentum in the labour market.

With this in mind, coupled with a slight rebound in consumer spending and the improving trade balance, the markets clearly feel that the Fed would not feel justified in easing monetary policy any further.

Speculation that the Fed may even put rates up at some stage pushed the dollar sharply higher. At mid-session in New York, it was quoted at Y147.10 from an earlier low of Y145.80 and at DM1.9920 from DM1.9735.

Co-ordinated intervention by the Fed and other central banks to brake the rise barely took the dollar off its highs.

■ STERLING'S slippage yesterday was sufficient to prompt some overseas investors to sell UK gilts, which in turn caught the attention of some nervous domestic institutions, which sold small chunks for the first time in a while.

The pound is slipping not just against the firm dollar, but also against the Deutschmark, the latter currency temporarily supported by suspicions that the Bundesbank could move to raise rates tomorrow.

Domestic players are concerned at the damage that could be done by a wave of overseas selling, as well as by the interest rate implications of softness in sterling.

Most of the roughly ½ point decline in prices occurred during the morning. The benchmark 2003-07 stock closed ½ point lower at 114-01.

■ TURNOVER in the German market, trapped in a lull, remained sluggish despite the launch of a new federal issue with an unexpectedly generous 7 per cent coupon.

The DM4bn 10-year issue is priced at 101¼, and was bid at around 101 towards the end of the afternoon. Some dealers had expected a coupon as low as 6¾ per cent, the level of the most recent issue in early July.

While volumes in the domestic cash market were low – subdued by the nervousness at tomorrow's Bundesbank council meeting, among other things – turnover on Liffe, at around 25,000 contracts, was substantially larger than recently.

The bund future finished at 94.15, 12 basis points weaker than the previous close.

● Kredietbank, Belgium's third largest bank, is to buy two Belgian stockbrokers, AP-DJ reports.

The bank said the deals were struck in anticipation of planned stock market reforms. The Government has said it expects to complete a programme of deregulation by the end of this year.

Kredietbank said it had agreed to purchase N.V. Beursvennootschap De Ferm & Partners, with a capital base of BFr25m ($605,000), and N.V. Beursvennootschap Van der Kellen & Partners, with capital of BFr50m.

Both Générale de Banque and Banque Bruxelles Lambert, Belgian's other leading commercial banks, have also recently invested in stockbrokers.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	9/92	106-01	-11/32	11.11	10.76	10.82
		9.750	1/98	96-28	-5/32	10.31	10.09	10.15
		9.000	10/08	96-25	-13/32	9.37	9.24	9.24
US TREASURY *		9.125	5/99	105-28	-3/32	8.23	8.30	7.98
		8.875	2/19	107-16	-7/32	8.20	8.27	8.04
JAPAN	No 111	4.600	6/98	96.3218	-0.378	5.21	5.08	5.15
	No 2	5.700	3/07	105.7516	-0.187	5.08	5.01	5.06
GERMANY		7.000	2/99	100.9500	-0.050	6.85	6.83	6.67
FRANCE	BTAN	8.000	1/94	97.3839	-0.188	8.72	8.70	8.52
	OAT	8.125	5/99	97.8500	-0.340	8.44	8.45	8.36
CANADA *		10.250	12/98	104.3750	-	9.52	9.58	9.25
NETHERLANDS		7.000	3/99	98.6500	-0.050	7.20	7.15	6.98
AUSTRALIA		12.000	7/99	94.8587	-	12.93	12.94	13.00

London closing. *denotes New York morning session
Yields: Local market standard Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on September 5

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Alberta 9¼ 95	600	102⅝	102¾	−0¼	+0⅛	8.79
Austria 9½ 93	140	101½	102¼	−0¼	+0¼	8.99
B.F.C.E. 7 92	150	†95¼	95¾	0	−0¼	9.12
B.F.C.E. 9¼ 95	150	101¾	102¼	0	+0¼	8.80
Brit. Tel. Fin. 9¾ 98	250					
Canada 9 96	1000	†102	102¾	−0⅛	+0⅛	8.51
[illegible]						
IBM Credit Corp. 9½ 92	250	101	101½	−0¼	−0¼	8.86
IBM Credit Corp. 10 92	200	102⅛	102⅝	−0¼	+0⅛	8.81
Italy 9½ 95	1000	†102⅞	103	−0⅛	−0¼	8.89
Italy 9½ 99	1000	104	104⅜	−0¼	+0¼	8.95
Itoh C. W/W 4⅝ 94	1000	98¼	99¼	0	−0¼	4.92
Japan Dev. Bank 10 96	200	105⅜	105⅝	−0⅛	+0¼	8.91
L.T.C.B. of Japan 9¼ 92	200	100⅛	100⅞	+0¼	+0⅛	8.99
Metropolis Tokyo 9½ 93	200	101⅛	102	+0⅛	+0¼	8.88
Nippon Tel.&Tel. 9⅞ 98	250	102⅝	103	0	+0⅛	8.91
Norway 8¾ 93	500	99¾	100⅛	0	+0⅛	8.72
Portugal 8¼ 97	300	†97⅞	98½	−0⅛	0	9.54
Prudential Crp. 8⅞ 94	125	†99½	100	+0¼	+0¼	8.80
Sumitomo Bank 9⅝ 92	150	†101⅛	101⅞	+0⅛	+0⅛	8.98
Sumitomo Corp. W/W 4 93	1500	104⅛	105⅜	−0⅛	−1¼	2.57
Sweden 7 91	250	†96	96½	−0¼	0	9.03
Sweden 8⅛ 96	200	99¼	100⅛	−0¼	+0¼	8.76
Sweden 8⅝ 92	200	*98⅞	98⅞	0	0	8.99
Toyota 9½ 91	200	100⅞	101⅛	0	+0¼	8.89
Toyota Mtr.Corp. W/W 4 93	1500	†101	102	−0⅛	−0⅛	3.56
Victorian Rep 11¼ 92	150	†105⅛	105⅝	−0⅛	0	9.15
World Bank 7 92	300	†95⅛	96⅛	−0⅛	+0⅛	8.83
World Bank 9 97	300	†100⅝	101¼	+0⅛	0	8.84
World Bank 9 93	300	100⅝	101	0	+0¼	8.71
World Bank 9¼ 98	300	†102	102⅛	−0¼	−2⅛	8.89
World Bank 9⅝ 99	500	104½	104⅝	−0¼	+0¼	8.86
World Bank 9⅞ 96	300	†104⅛	104⅝	0	0	8.86

Average price change... On day −0⅛ on week −0⅛

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. BK. 6 94	200	95⅛	95⅝	−0⅞	−0¼	7.04
Austria 6⅝ 99	750	†97⅝	98⅜	−0½	−0⅛	7.05
Bk.Frgn.Econ.USSR 7 96	750	†96⅜	97¼	0	0	7.58
Bank of Tokyo 5⅞ 93	100	†96	96½	−0⅛	0	6.98
Commerzbank o/s. 5⅝ 93	300	†95	95½	0	−0⅛	7.00
Credit Foncier 6⅝ 99	500	97⅞	98	−0⅛	−0½	8.07
E.I.B. 6¼ 99	600	94⅛	94⅝	−0⅜	−0⅞	7.08
E.I.B. 6½ 99	300	†95½	96½	−0½	−0⅝	7.08
E.I.B. 6⅝ 96	600	†98⅛	98⅝	−0⅛	−0⅛	6.93
E.I.B. 6⅞ 95	300	99⅛	99⅞	−0⅛	−0⅛	6.97
Euro.Coal & Steel 5⅞ 97	175	93⅞	94¼	−0⅛	−0⅛	6.95
Eurofima 6¼ 96	100	96⅝	96⅞	0	0	6.91
Elec De France 5¾ 97	300	92⅝	93½	−0⅛	−0⅞	6.92
Hydro-Quebec 6¾ 99	300	†98	98⅛	−0⅛	−0⅜	7.02
Japan Dev. Bk. 5⅞ 95	300	93⅛	93⅞	+0⅛	0	6.79
Japan Finance 5⅞ 97	100	92⅝	93⅛	−0⅜	−0¼	6.98
I.A.D.B. 7¼ 99	300	100⅝	101⅛	−0⅜	−0½	7.12
Ireland 6½ 97	300	†95⅝	96⅛	−0⅜	−0¼	7.17
Ireland 7¼ 99	500	†100	100	−0¼	−0⅜	7.24
Malaysia 6¼ 94	150	97⅛	97⅞	−0½	−0⅞	6.87
Nat. West BK. PLC 6 98	300	93⅛	93⅞	0	−0⅝	7.02
N.H.L. Finance 6¼ 95	200	*96	96½	0	−0⅞	7.01
Nippon Telg.&Tel. 6 95	400	95⅛	96⅜	−0¼	−1⅛	6.36
Oesters. Kontbk. 5 93	300	93⅛	94¼	−0⅜	−0½	7.07
Portugal 5⅞ 92	150	96⅞	97¼	−0¼	−0¼	7.02
Portugal 6⅝ 95	150	99⅞	100⅛	−0¼	−0¼	6.67
Privatbanken 5¼ 93	150	93⅞	94⅝	−0⅛	0	7.16
Royal Insurance 5½ 92	300	†95⅛	96¼	−0⅜	−0⅜	7.22
Turkey 6½ 95	500	94	94⅜	−0⅜	−1⅛	7.75
Union Bk.Finland 5½ 94	200	†94	94½	−0¼	−0¼	7.06
World Bank 6 98	500	†92⅞	93⅛	−0⅞	0	7.02
World BK. 6¼ 97	600	95¼	96	−0¼	−0⅞	7.35
World Bank 6⅝ 99	600	†97⅞	98	−0⅜	−0⅞	7.05

Average price change... On day −0¼ on week −0⅜

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
African Dev.Bk. 5 96	150	†93	93½	0	−1	6.25
Asfinag 5 03	100	†91	92	−0⅝	+0⅛	5.91
B.F.C.E. 4½ 98	200	†90	91	−1⅛	−2⅛	5.91
B.M.W.Fin.Neth. 5 13	150	†85	85¼	−0⅝	−1	6.21
Britannia B/S. 4⅛ 94	100	†91	92	+0⅜	+1⅛	6.37
CIR. Int. W/W 3 93	125	†93	95½	−1⅛	−0⅞	4.66
Credit Lyonnais 4¾ 00	100	†88½	89	−0½	−1¼	6.21
E.I.B 4⅝ 98	150	†91½	91¾	−0¼	−0⅜	5.87
Fletcher Chall. 4⅞ 98	150	†84¾	85	0	0	7.30
Kobe City 4⅝ 98	150	†91½	92	+0¼	−0⅛	5.84
Leeds Perm. B/S. 4⅛ 93	200	†91	92	0	−0⅛	6.85
Malaysia 5⅛ 98	100	†90	92½	+1⅛	+0⅝	6.58
Maxwell Comm.Crp. 5 95	150	†84½	85½	−0½	−0¾	8.37
Nat. Bk. Hungary 5½ 94	75	†92	92⅞	−0¼	−0½	7.31
Nationwide Ang.B/S. 4 93	200	†91½	91¾	0	−0⅜	6.57
Nippon Telg.&Tel. 4⅛ 95	200	†92	93	0	−2⅜	5.77
Oesters. Ktbk. 5 03	75	†92	92½	−0¼	+0¾	5.88
Prov. Newfoundland 5 03	150	†92⅜	93	+0½	+0⅝	5.74
Thailand 4⅝ 95	200	†92	93	0	−1	6.19
World Bank 5 03	150	†91½	91¾	0	−0¼	5.90

Average price change... On day −0⅛ on week −0⅝

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Canada 6⅛ 91	80	101⅝	101¾	+0⅛	+0¼	5.79
Canada 5⅜ 93	80	100⅝	101¼	−0½	−0⅛	5.33
Eurofima 5 1995	20	98¾	99⅛	−0¼	−0¼	5.33
E.I.B. 4⅞ 93	20	98⅛	98⅞	−0¼	−0⅜	5.29
Ireland 5⅛ 93	30	98⅞	99⅜	−0⅛	−0⅛	5.39
Norway 5⅛ 95	60	98⅛	99¼	−0⅛	−0¼	5.33
Sweden 4⅝ 93	50	97⅛	97⅝	0	−0⅛	5.34
World Bank 5¼ 93	20	98⅝	99⅛			5.38
World Bank 7 94	20	106⅛	106⅝	−0⅛	−0⅛	5.37

Average price change... On day −0⅛ on week −0⅛

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey Nat. 11⅛ 95 £	100	98	98½	−0⅛	−1⅛	12.04
Aegon 7⅞ 92 Fl	150	101⅛	101⅜	0	−0⅛	7.79
Alg. Bk. Ned. 5⅝ 93 Fl	200	95½	96	0	+0⅛	7.14
Austria 7⅛ 94 ECU	100	95⅝	96⅛	−0⅛	−0¼	8.61
Bk. Nova Scot. 14⅛ 90 AS	75	†96¼	97¼			17.38
Barclays Au. 15½ 91 AS	100	96	96½	0	−0⅛	15.67
Belgium 8⅛ 94 Ecu	150	97½	98⅛			8.73
BP Capital 9⅞ 93 £	100	93¾	94⅛			11.55
British Airways 10 98 £	100	91½	92			11.56
Brit. Telecom 9⅞ 93 £	150	93⅛	94⅛			11.68
Comm. Bk. Aust. 12⅞ 93AS	100	†94⅛	95			14.49
Comm. Bk. Aust. 13⅛ 94NZ$	60	98⅜	98⅞			14.18
Credit Foncier 9 96 Ecu	100	101⅜	101⅝	0	0	8.66
Cr.Local France 9⅛ 92Ecu	100	†101⅛	102	−0⅛	0	8.49
Dest. Bk. Aus. 13⅛ 93 AS	125	98⅛	98⅞	−0⅛		13.80
Deutsche Bk. Fin. 15 94 AS	150	102⅛	103	−0⅛	−0⅛	14.08
E.I.B. 7 96 LFr	500	†97	98	−0⅛	0	7.49
E.I.B. 9 99 Ecu	150	†101⅛	101⅜			8.77
Eurofima 7⅝ 94 Ecu	100	96⅝	97⅛	0	0	8.48
Export Dv.Crp.8¾ 92Ecu	100	100⅜	101	0	0	8.44
Fed.Bus.Dv.Bk. 9 94 Ecu	100	†100⅛	100⅞	0	+0⅛	8.82
Fed.Bus.Dv.Bk. 9¾ 92 C$	75	†98	98½	0	+0⅛	10.48
Fed.Bus.Dv.Bk. 10½ 93C$	50	†99⅞	100⅜	0	0	10.43
Ferr. Stato 7⅞ 93 Ecu	100	96⅝	97⅛	+0⅛	+0⅛	8.74
Ford Cr.Can. 10⅜ 93 C$	100	†100	100½	0	+0⅛	10.61
Ford Cred.Can. 10⅞ 96C$	125	101⅞	102⅛	0	+0⅛	10.43
Ford Cred.Fund. 10¾ 93£	60	96¼	96¾	−0½	−1⅛	11.83
G.M.A.C.Canada 11 3/4 94C$	100	103⅝	104⅛	0	0	10.61
Heineken 7⅝ 94 FL	150	102⅝	103⅛	−0¼	−0⅜	7.54
Hydro-Quebec 11 99 C$	400	103¼	103⅝	0	+0⅛	10.38
I.A.D.B. 7¼ 99 FL	200	99¼	99⅝	−0¼	−0¼	7.33
Lloyds Bank 10¼ 98 £	150	93	93½	−0½	−1⅜	11.51
Lloyds Bank 11⅜ 98 £	100	96	96½	−0⅝	−1⅝	12.04
Montreal Tst. 10⅞ 93 C$	100	†99¾	100¼	0	+0⅛	10.73
Nat. Aus. Bk. 14⅞ 94AS	100	100⅛	100⅝	−0⅛	−0⅛	14.55
New Zealand 9½ 93 £	100	—	—	—	—	—
O.E.K.B. 10¼ 99 C$	150	100	100½	0	0	10.20
Privatbanken 7½ 94 LFr	500	—	—	—	—	—
Royal Bk.Scot. 10⅞ 98 £	125	95	95½	−0⅛	−1⅝	11.55
Saskatchewan 9⅞ 91 C$	150	—	—	—	—	—
Saskatchewan 10¼ 93 C$	200	99⅛	99⅝	0	+0¼	10.42
State Bk.NSW. 13⅞ 93AS	100	96⅝	97	−0⅛	−0¼	14.90
Sweden 7½ 93 Ecu	250	96⅛	96½	−0⅛	0	8.59
Sweden 15 94 AS	100	102½	103⅛	−0⅜	−1	14.06
Toyota Mtr.Cr.11⅜ 92C$	150	101½	102	0	+0¼	10.55
World Bank 13⅞ 92 AS	100	98⅞	99¼	−0⅛	−0¼	13.78
World Bank 14¼ 94 AS	75	100⅜	100⅞	−0¼	−0¼	14.09
Zentrspk. 13¼ 93 AS	75	†96¼	97¼	−0¼	−0⅝	14.26

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
Alliance & Leic. Bld 94 £	.08	100.02	100.08	24/10	14.08
Bank of Greece 99 US	0¼	99.54	99.64	8/09	10.62
Belgium 91 US	0	100.12	100.22	21/02	8.81
Chelt. & Gloucester 94 £	.063	99.95	100.00	30/11	14.06
Credit Foncier 98 US	.063	100.05	100.15	20/10	10.16
Dresdner Finance 99 DM	.031	99.87	99.98	30/10	6.97
EEC 3 92 DM	0	100.27	100.37	22/02	6¾
Halifax BS 94 £	.1	100.14	100.19	9/11	13.97
Invt. in Industry 94 £	0¼	100.08	100.18	24/11	14.06
Leeds Perm. B/S. 94 £	0⅛	100.20	100.25	13/10	14.06
Midland Bank 01 £	.1	98.52	98.85	7/11	13.91
Milk Mkt. Brd. 5 93 £	0⅛	99.98	100.03	29/09	14.31
New Zealand 5 97 £	.07	100.01	100.11	18/11	13.19
State Bk. Nsw. 98 US	.188	100.13	100.23	11/02	8.81
Woolwich Equit. BS. 93 £	0⅛	100.22	100.27	13/10	14.06
Woolwich 5 95 £	0⅛	100.09	100.14	21/11	14.06

Average price change... On day +0.00 on week −0.04

CONVERTIBLE BONDS	Cnv. date	Cnv price	Bid	Offer	Chg. day	Prem
Alcoa 6¼ 02 US	8/87	62.	126¼	127¼	−0⅛	2.79
Amer. Brands 7⅞ 02 US	9/87	56.7	137⅛	138⅛	+3⅛	−1.54
CBS. Inc. 5 02 US	4/87	200.	109	110	0	1.98
Primerica 5½ 02 US	4/87	66.75	73⅛	74⅛	0	78.71
Eng.China Clay 6½ 03 £	9/88	4.8	103⅝	104⅝	+0½	7.95
Fujitsu 3 99 US	5/84	1106.	213⅝	214⅝	−0½	−0.18
Ladbroke 5⅛ 04 £	†6/89	7.1	106½	107½	+0¼	123.44
Land Secs. 6¾ 02 £	6/87	6.72	97⅛	98⅛	+0¼	9.26
Minolta Camera 2¼ 94DM	2/86	1004.	108½	109½	−0¼	3.75
MCA Inc 5½ 02 US	9/87	69.62	104⅛	105⅛	−0¼	11.88
Mitsubishi Bk. 3½ 04US	5/89	3266.	92⅛	93⅛	−0¼	4.37
Next Plc 5⅞ 03 £	11/87	4.3	101⅛	102⅝	0	215.93
Nikki Nipp.Bk.2⅞ 03 US	4/88	804.	114⅝	115⅝	−0⅝	−3.79
Omnicom Inc. 6 1/2% 04 US	10/89	28.	100⅛	101⅛	−0⅛	21.94
Omron Tateisi 2⅞ 02 US	4/87	1310.	270½	271½	+3½	2.66
Ranks Hovis 4⅞ 03 £	1/88	3.5	128½	129½	+3	−4.34
Redland 7¼ 02 £	1/87	5.4	184½	185½	−0¼	3.09
Saatchi & Saatchi 6¾ 03 £	†10/89	4.41	94¼	95¼	0	52.65
Silicon Graphics 8 04 US	6/89	23.18	101½	102½	−0⅛	13.95
Sumitomo Bank 3⅛ 04 US	2/89	4296.	86⅛	87⅛	−0⅛	13.96
Texas Inst. 2⅞ 02 US	9/87	82.87	77	78	−0⅛	58.08
Un.N'papers 8 04 £	10/89	8.77	114⅝	115⅝	+0⅛	100.21
W.R. Grace 6¾ 02 US	9/87	42.12	100⅞	101⅞	+0¼	13.12

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate (‡three-month; §above mean rate) for US dollars. C.cpn = The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv date = First date of conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

INTERNATIONAL CAPITAL MARKETS

Options market heads for radical reform

By Katharine Campbell

HOW LONG is an umbilical cord? The London Traded Options Market hopes that it has crafted a new arrangement with its parent, the International Stock Exchange, that stretches the ties sufficiently to ensure its own felicitous second birth, without rejecting the elements of symbiosis with its parent it still values.

Approval by the ISE council on Monday to allow the creation of a wholly-owned subsidiary, LTOM Ltd, should, according to Andrew Hugh Smith, the ISE chairman, "have a major effect on the development of London's derivative markets . . . as well as being of direct benefit to the members of the exchange." This "reflects the importance of the options market to the exchange," he added.

Most options practitioners had felt distinctly unloved by the ISE during the market's eleven year existence – some to the extent of advocating a complete severance – but the new structure aims to give space for LTOM to develop its "derivative characteristics" while still preserving ties to the domestic and international equity markets on which it feeds, and can feed much more.

The lynchpin of the structure is the proposed seat system, which both raises capital for a resource-starved exchange, and aims to enhance that elusive component of an exchange's success, member commitment.

A rights issue is to be held of one "nil paid" seat to all 391 "B" shareholders throughout the exchange. After a period of three months, during which the nil paid shares will be tradable, those members who wish to take up trading rights will pay a first call of around £15,000, probably representing half the par value of the non voting "B" shares.

Mr Tony de Guingand, LTOM director, said he hoped this initial round would raise between £3m and £4m, which is roughly the cost of new systems and facilities upgrades for the first two years. Meanwhile, the ISE's contribution is to hand over all the fixed assets currently at LTOM's disposal – though this does not include the floor, a third of which LTOM currently rents for about £1m a year.

Mr Geoffrey Chamberlain: 10-year plan

This allows LTOM substantially to assume responsibility for its own financial destiny, although its resources will still fall well short of its biggest competitors.

CBOE, the world's largest options exchange, has spent $35m on its systems upgrade over the last three years. The London options market, by contrast, has made a net £4m contribution to the ISE, and labours on, for instance, with an eleven-year-old floor system.

A relatively independent LTOM should also create a more equal partner in the joint discussions with Liffe. Mr Hugh Smith said he hoped that Liffe, which is still searching for new premises, would decide within the next month whether to move onto the existing floor. Mr Michael Jenkins, Liffe chief executive, who is also considering a new building in Cannon Street, observed recently, "the stock exchange has it within its power to make the offer attractive to us."

The current LTOM Ltd recommendations, which have to be fleshed out considerably, will be put to an extraordinary general meeting, possibly by the end of the year. Of the 390 or so members of the ISE, less than 60 are considered to be active participants on LTOM, though they will be recipients of the nil paid shares, which should appreciate if the options market does well.

Based on a 10-year plan by Mr Geoffrey Chamberlain, LTOM chairman, presented to the council in May, the proposals were modified by a special committee appointed by Mr Hugh Smith. One major addition to Mr Chamberlain's ideas is the insertion of a supervisory board, chaired, on a non-executive basis, by Mr Hugh Smith or one of the ISE deputy chairmen.

The supervisory board will consist of three directors nominated by "A" shareholders – a voting class with ultimate control to be held exclusively by the ISE – and seven directors nominated by the "B" shareholders. This board will determine the composition of the "practitioner-based" board, which in turn will run the market in detail. This is still much more democratic.

Meanwhile, the delimitations of the ISE's powers have still to be hammered out in some areas, notably when LTOM has to obtain permission to enter into certain longer-term contracts.

So far, LTOM's success has been to avoid – narrowly – the pitfall of provoking a wider reassessment of the entire ISE structure that could have stalled its own plans. Now it remains to be seen whether its members rise to the occasion.

Japanese tax bureau censures four banks

By Robert Thomson in Tokyo

FOUR OF Japan's largest banks have been ordered to pay additional tax on profits transferred to loss-making London and other foreign operations in an attempt to disguise the extent of losses made around the time of the October 1987 stock market crash.

Dai-Ichi Kangyo Bank (DKB), the world's largest bank, admitted yesterday that it had "donated" Y1.8bn ($8.9m) to its London securities subsidiary, DKB International, in order to disguise a loss of Y1.5bn for the year ended March, 1988 as a deficit of Y200m. Fuji Bank, Mitsui Bank and one other bank, which has not been identified, were also cited by tax authorities.

DKB said the donation was to ensure that the subsidiary's securities trading status was not harmed by the larger losses. It said there had been no intention to avoid tax. However, the Japanese Taxation Bureau has ordered the bank to pay an additional Y550m in tax – the bank reported a net profit of Y133.2bn in that year.

"We thought the transferred money was tax exempt," a DKB official said. "There had been no case under which a transfer tax law had been applied, and so we did not think it applied to our case. It was a matter of opinion."

The official described the plight of the London subsidiary as an emergency. "A big crisis like that comes once every 50 years," he said.

He added that the decision was made to reduce the book losses in London because "we did not want the customers of our securities firm to worry."

Fuji Bank transferred cut-price securities to subsidiaries in London and the Cayman Islands, which later sold them at market price to raise profits of Y200m for the former and Y600m for the latter.

The tax agency ordered the bank to pay a total of Y380m in extra tax for the year to end March 1988.

A Fuji Bank official said the tax bureau had been approached prior to the transfers but "their answer was not clear," and so "we judged that there was not a problem." He said that the validity of the newly-assessed liability remains "a matter of opinion."

Mitsui Bank, which last week announced a plan to merge with Taiyo Kobe Bank to form the world's second largest bank, has to pay additional tax of Y150m after having transferred Y800m profits from Tokyo to cover some of the bond trading losses of Mitsui Finance Asia, its Cayman-registered Hong Kong-based subsidiary.

A Mitsui official said the tax order was the result of a miscalculation by the bank.

Kansei seven-year straight dominates quiet trading

By Andrew Freeman

EUROBOND MARKETS were quiet yesterday, with a $350m seven-year straight deal for Kansei Electric Power dominating restrained new issue activity. Many syndication departments were concentrating on deals likely to be launched early next week. Secondary trading was thin.

The Kansei bonds were

INTERNATIONAL BONDS

brought by Nomura with a 9⅛ per cent coupon. At launch, the bonds offered a yield to maturity of 9⅛ per cent, considered by many institutional investors to be generous. There was good demand from European investors, while Japanese interest was also strong.

The paper was quoted by Nomura at less 1.70 bid, inside full underwriting fees of 1⅞ per cent. The launch spread of around 78 basis points over US Treasuries was largely unchanged as the Treasury market enjoyed a small rally.

The proceeds were swapped into fixed-rate yen by IBJ International to achieve what traders said was a very attractive all-in funding cost.

According to co-managers, the pricing of the deal was welcome, although there were some reservations expressed about the delay between news of the deal and the offering of final terms to underwriters.

There was speculation that the delay of several days was caused by disagreement between Nomura and IBJ on the pricing. As lead manager, Nomura was apparently anxious to price the deal to ensure its appeal to institutions, thereby making it likely to trade competitively on the secondary market.

On the other side, IBJ, which wrote the swap, was keen to see tight issue terms so that it could extract more economic terms from the swap market.

Salomon Brothers fixed the terms of its $300m convertible issue for MCA and was quoting the bonds at 99¾ bid, inside full underwriting fees.

In Switzerland, a string of small convertible issues had good receptions and traded at premiums to their par issue prices.

The IADB SFr300m two-tranche issue began trading on the secondary market, and was given a rough reception as grey market prices continued their recent fall. The 10-year tranche opened at less 3 bid, but improved slightly to trade at less 2¾ bid, while the 15-year tranche fell ½ point from Monday's close to trade at less 3 bid. After a good initial reception, demand for the paper fell away as investors expressed worries about rising interest rates.

In Germany, prices of secondary market Eurobonds fell by around 30 pfennigs, with the recent World Bank 6¾ per cent issue falling from 98.10 bid to around 97.80 bid amid some selling pressure.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Kansai Electric Power(a)◆	350	9⅛	101¼	1996	1⅞/1¼	Nomura Int.
Mitsui & Co. Int(Europe)(a)◆	50	9	101⅞	1994	1⅞/1¼	Daiwa Europe
MCA Inc.(b)§◆	200	6½	100	1999	2½/1½	Salomon Brothers
FRENCH FRANCS						
Compagnie Bancaire(a)◆	500	8⅞	101½	1994	1⅞	Credit Lyonnais
YEN						
World Bank(c)◆	70bn	5¼	100¾	1999	1½/1.05	Daiwa Secs.
Fed.National Mortgage Corp.◆	11.3bn	Zero	69.877	1992	1⅜/⅞	Mitsui Trust Int.
SWISS FRANCS						
Japan Electronic Computer★★◆	50	6	101⅜	1996	1⅝	Banque Paribas (Suisse)
Meitic Corp.(d)★★§	50	(⅜)	100	1993	1½	Royal Trust Bank (Switz)
Koike Sanso Kogyo(e)★★§	50	(½)	100	1994	1½	Wirtschafts-und Privatbk
Tanifuji Machine Ind.(f)★★§◆	35	½	100	1993	1½	Citicorp Inv. Bank
D-MARKS						
Yamatane Corp.(g)#◆	150	1¼	100	1993	2¼/1⅜	Nomura Europe

★★Private placement. §Convertible. ◆Final terms. #With equity warrants. a) Non-callable. b) Coupon fixed as indicated. Call at par after 5 years and annually thereafter. c) Daimyo bond issue. d) Indicated yield to put 3.965%. e) Indicated yield to put 4.096%. f) Yield to put 3.809%. g) Coupon cut by ¼% from indication.

Swiss fund assets up 11%

By John Wicks in Zurich

SWISS INVESTMENT fund assets at the end of June 1989 totalled SFr39bn according to the Swiss national bank. This was 11 per cent higher than the level registered for mid-1988.

The number of individual funds increased over the period as additional equity funds came into operation. Total fund numbers rose from 174 to 191 with the number of property funds holding steady at 33.

At the end of June there were 114 foreign funds with representatives in Switzerland compared to 101 a year earlier.

The number of outstanding certificates in Swiss funds went up from 254.5m to 275.7m. In the final three months of the year, however, redemptions rose to SFr1.28bn, comfortably outstripping the SFr1.11bn accounted for by new money.

● OZ Zurich options and futures has issued 350,000 put warrants on registered shares of Union Bank of Switzerland. This conveys the right to sell 11 per cent of all UBS registered shares entitled to dividends.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Tuesday September 5 1989: Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1989 to date	Mon Sep 4: Index No.	Fri Sep 1: Index No.	Thu Aug 31: Index No.	Year ago (approx): Index No.
1	CAPITAL GOODS (208)	1008.67	+0.2	10.65	4.04	11.53	21.20	1006.19	1003.43	998.15	769.94
2	Building Materials (29)	1182.20	+0.3	12.66	4.50	9.83	26.97	1178.14	1174.80	1170.72	968.38
3	Contracting, Construction (37)	1574.82	+0.6	15.12	4.62	8.64	34.30	1565.46	1554.73	1544.57	1557.28
4	Electricals (9)	3037.73	+0.2	8.20	3.91	15.19	54.31	3032.45	3031.44	3004.52	2109.78
5	Electronics (31)	2280.21	+0.4	8.49	3.27	15.24	47.99	2271.49	2265.59	2251.38	1675.29
6	Mechanical Engineering (56)	557.98	+0.2	9.69	3.97	12.63	18.94	556.75	554.88	552.33	486.20
8	Metals and Metal Forming (6)	532.11	+0.1	19.34	5.72	5.70	14.84	531.49	530.05	527.64	462.85
9	Motors (17)	369.15	—	10.40	4.18	11.25	8.59	369.09	367.15	365.07	268.08
10	Other Industrial Materials (23)	1867.30	—	8.25	3.76	14.46	34.02	1867.15	1867.76	1858.38	1260.30
21	CONSUMER GROUP (184)	1417.55	—	7.69	3.03	16.32	22.58	1417.92	1404.32	1392.63	1038.59
22	Brewers and Distillers (22)	1583.71	+1.2	8.39	3.09	14.90	25.65	1564.95	1551.86	1536.23	1079.24
25	Food Manufacturing (20)	1218.10	-0.2	8.36	3.45	14.98	21.07	1220.42	1206.83	1204.98	929.87
26	Food Retailing (14)	2722.30	+0.2	7.46	2.53	17.73	38.37	2716.47	2705.68	2689.61	1892.01
27	Health and Household (14)	2755.59	-0.6	5.34	1.50	22.10	22.32	2772.31	2722.15	2694.41	1803.12
29	Leisure (34)	1817.77	—	7.85	3.10	17.48	32.22	1816.88	1802.32	1785.82	1298.09
31	Packaging & Paper (15)	621.16	-0.4	9.42	4.08	13.41	10.10	623.86	619.88	618.97	511.30
32	*Publishing & Printing (19)*	*3854.33*	*-0.8*	*8.28*	*4.37*	*15.54*	*98.37*	*3883.87*	*3876.73*	*3841.24*	*3339.48*
34	Stores (32)	919.92	-0.2	9.37	4.00	13.93	17.64	921.71	914.90	904.07	737.95
35	Textiles (14)	581.99	-0.1	10.26	5.02	11.65	15.40	582.76	582.75	578.15	555.48
40	OTHER GROUPS (93)	1225.60	+0.5	9.53	3.93	12.73	23.23	1218.93	1217.43	1208.41	871.50
41	Agencies (17)	1630.70	+0.2	6.58	2.17	18.78	23.12	1628.15	1619.48	1610.90	1047.94
42	Chemicals (22)	1360.85	—	10.92	4.56	10.80	40.83	1360.85	1354.20	1345.36	1030.34
43	Conglomerates (13)	1779.76	-0.1	9.60	4.58	12.26	28.35	1781.11	1768.59	1757.85	1187.51
45	Transport (13)	2457.02	+0.7	8.59	3.68	15.11	42.06	2440.47	2420.77	2388.14	1860.78
47	Telephone Networks (2)	1155.46	+0.7	10.60	4.30	12.30	22.38	1147.01	1148.05	1142.21	927.62
48	Miscellaneous (26)	1983.45	+1.4	8.76	3.21	12.88	29.18	1955.24	1975.26	1956.47	1192.91
49	INDUSTRIAL GROUP (485)	1273.71	+0.2	8.98	3.54	13.74	23.07	1271.10	1264.16	1254.97	935.77
51	Oil & Gas (15)	2234.45	+1.3	9.56	5.00	13.88	73.67	2206.74	2200.11	2185.94	1736.24
59	500 SHARE INDEX (500)	1355.68	+0.3	9.06	3.73	13.76	27.20	1351.10	1344.14	1334.52	1003.69
61	FINANCIAL GROUP (122)	821.43	-0.4	–	5.00	–	24.28	824.32	821.65	812.88	671.58
62	Banks (9)	835.26	-0.7	20.68	5.98	6.36	34.80	841.38	842.10	832.52	641.51
65	Insurance (Life) (8)	1239.74	-1.3	–	4.82	–	30.47	1256.48	1256.43	1240.41	1088.39
66	Insurance (Composite) (7)	646.22	-0.6	–	5.80	–	21.91	650.42	650.11	641.59	523.76
67	Insurance (Brokers) (7)	1005.63	-0.1	7.47	6.17	17.80	31.89	1006.42	988.38	961.71	957.59
68	Merchant Banks (10)	487.45	+1.8	–	3.89	–	7.37	480.37	392.07	387.93	327.30
69	Property (50)	1398.87	+0.3	6.19	2.84	20.63	19.78	1394.08	1385.98	1375.92	1172.13
70	Other Financial (31)	373.75	+0.4	10.67	5.86	12.05	10.48	372.31	368.96	367.77	357.76
71	Investment Trusts (69)	1285.21	+0.2	–	2.62	–	18.62	1283.09	1279.38	1276.64	896.86
81	Mining Finance (1)	753.19	+1.4	7.94	3.41	13.97	15.84	742.92	732.64	714.69	585.26
91	Overseas Traders (8)	1449.15	+1.3	9.48	4.84	12.85	43.67	1449.62	1458.34	1447.32	1149.72
99	ALL-SHARE INDEX (700)	1225.80	+0.3	–	3.89	–	26.23	1222.69	1216.78	1207.05	938.62

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Sep 4	Sep 1	Aug 31	Aug 30	Aug 29	Year ago
FT-SE 100 SHARE INDEX♦	2426.0	+6.8	2426.8	2418.4	2419.2	2407.5	2387.9	2381.3	2380.8	1768.0

FIXED INTEREST

	PRICE INDICES	Tue Sep 5	Day's change %	Mon Sep 4	xd adj. today	xd adj. 1989 to date
	British Government					
1	5 years	117.87	-0.19	118.09	–	8.16
2	5-15 years	132.85	-0.32	133.28	–	9.40
3	Over 15 years	144.78	-0.39	145.35	–	9.15
4	Irredeemables	166.64	-0.14	166.88	–	8.83
5	All stocks	130.77	-0.28	131.14	–	9.08
	Index-Linked					
6	5 years	140.59	-0.14	140.79	–	2.26
7	Over 5 years	139.27	-0.25	139.62	–	2.66
8	All stocks	139.25	-0.24	139.59	–	2.61
9	Debentures & Loans	114.75	-0.08	114.85	–	6.87
10	Preference	89.33	-0.01	89.34	–	3.92

	AVERAGE GROSS REDEMPTION YIELDS		Tue Sep 5	Mon Sep 4	Year ago (approx.)
	British Government				
1	Low	5 years	9.67	9.63	10.08
2	Coupons	15 years	9.26	9.20	9.65
3		25 years	9.17	9.16	9.52
4	Medium	5 years	10.68	10.59	10.40
5	Coupons	15 years	9.70	9.66	9.88
6		25 years	9.32	9.28	9.59
7	High	5 years	10.79	10.69	10.56
8	Coupons	15 years	9.89	9.85	10.01
9		25 years	9.46	9.44	9.56
10	Irredeemables		9.22	9.20	9.28
	Index-Linked				
11	Inflation rate 5%	5yrs.	2.97	2.91	3.45
12	Inflation rate 5%	Over 5 yrs.	3.50	3.48	3.92
13	Inflation rate 10%	5yrs.	2.18	2.12	3.04
14	Inflation rate 10%	Over 5 yrs.	3.35	3.31	3.75
15	Debs & Loans	5 years	13.07	12.89	11.40
16		15 years	11.64	11.60	11.24
17		25 years	11.21	11.14	11.04
18	Preference		10.19	10.16	10.07

♦Opening index 2420.0; 10 am 2417.7; 11 am 2416.7; Noon 2410.5; 1 pm 2410.7; 2 pm 2411.8; 3 pm 2414.4; 3.30 pm 2414.8; 4 pm 2417.4 (a) 4.32pm (b) 12.08pm † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 34p.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	3	95	7
Corporations, Dominion and Foreign Bonds	0	10	33
Industrials	439	328	805
Financial and Properties	193	101	377
Oils	22	18	50
Plantations	3	1	7
Mines	72	20	82
Others	58	29	195
Totals	790	602	1,556

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. date	1989 High	1989 Low	Stock	Closing Price	+ or -	Net Div.	Times Cov'd	Gross Yield	P.E. Ratio
‡75	F.P.	–	92	75	‡Alpha Estates 5p	78		u2.81	1.9	4.8	14.7
‡33	F.P.	11/8	42	35	‡Ambassador Sec. Grp. 5p	39		–	–	–	9.5
[illegible]											

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

[illegible]

TRADITIONAL OPTIONS

● First Dealings Aug 21
● Last Dealings Sep 8
● Last Declarations Nov 23
● For settlement Dec 4

For rate indications see end of London Share Service

Calls in Scantronic, Colorol, BAT, Cluff Res, Termaris, MB Group, Ford Seller Morris, Regentcrest, Stormgard, Claremont Pet, Morgan Grenfell, Geers Gross, Tuskar, Stonehill. Puts in Colorol. P/C Colorol

LONDON TRADED OPTIONS

Option		Calls Oct	Calls Jan	Calls Apr	Puts Oct	Puts Jan	Puts Apr
Allid Lyons (*561)	550	37	55	74	16	26	33
	600	13	32	47	45	53	56
Stonehouse (*148)	130	21	26	28	2	5	6
	140	14	18	22	4½	7	8½
	160	4	7½	11½	16	18	20
[illegible]							
Prudential (*211)	180	35	41	44	3	3½	4½
	200	17	25	28	6	8	10
	220	8	14	17	16	17	19
Racal (*237)	210	36	44	52	3½	9	11
	230	22	31	40	9	16	17
	250	11¼	22	–	22	27	–
R.T.Z. (*582)	550	–	–	80	–	–	23
	600	23	44	50	37	40	47
Scot. & New. (*385)	360	50	62	75	15	20	25
	390	30	45	58	27	33	38

Option		Calls Nov	Calls Feb	Calls May	Puts Nov	Puts Feb	Puts May
Tesco (*214)	200	21	30	34	4	5½	7
	220	9	16	21	13	14	16
[illegible]							

FT-SE INDEX (*2418)

Oct	389	340	292	294	198	152	112	78
Nov	–	352	305	258	215	172	133	100
Dec	–	–	–	276	233	192	153	117
Jan †	–	437	–	365	–	286	–	220
PUTS								
Sep	1	1½	2	2½	4½	7½	15	29
Oct	2½	4	6	8½	12	19	28	47
Nov	–	6	10	13	18	25	37	56
Dec	–	–	–	17	24	33	45	62
Jan †	–	32	–	45	–	67	–	101

September 5 Total Contracts 26,982
Calls 17,298 Puts 9,684
FT-SE Index Calls 2348 Puts 2805
*Underlying security price. † Long dated expiry mths

UK COMPANY NEWS

IMI profit lifted by foreign spread

By Richard Tomkins, Midlands Correspondent

IMI, the Birmingham-based industrial group, surprised the City yesterday with a 24 per cent increase in pre-tax profits to £60.1m (£48.5m) for the six months to June.

There had been fears that the company's long run of strong profits growth might be dampened by inflationary pressures and high interest rates in the UK.

Mr Gary Allen, managing director, said: "It just shows that you can keep up the momentum of profits and volume growth in spite of high interest rates and the perceived gloom."

The shares put on 12p to 251p.

IMI's profits growth mirrored a 24 per cent rise in sales from £434m to £540m. Earnings per share rose 21 per cent to 12.1p (10p) and the interim dividend has been raised at the same rate from 3.15p to 3.8p.

Mr Allen said IMI's ability to maintain strong growth against an unfavourable background illustrated its success in reducing its susceptibility to the UK economic cycle.

Just over 50 per cent of IMI's sales were now overseas, he said. "The boom in West Germany has had much more effect on us than Britain's rising interest rates."

Sales rose across all divisions, with about 10 per cent of the increase attributable to exchange rate benefits and the rest to a combination of higher copper prices, acquisitions and genuine volume growth.

The strongest, and most surprising, advance came in the building products division which increased profits from £8.3m to £10.5m. It had earlier looked susceptible to the downturn in the UK housing market.

Ashley Ashwood

Gary Allen: reduced susceptibility to the UK economic cycle

Mr Allen said the wide geographical distribution of IMI's building products, together with the division's orientation towards the commercial sector, had protected it from the worst. Reductions in the cost base had also enabled it to export to West Germany.

The drinks dispense division, operating under the Cornelius banner, operated in a flat US market but enjoyed buoyant demand in Europe amid warm weather conditions. Its profits rose from £10.5m to £11.5m.

The fluid power division, making pneumatic equipment for industry, saw a softening of UK demand, but only 25 per cent of its sales are in Britain. Demand held up in the rest of Europe and the US, taking profits up from £14.6m to £17.5m.

The remaining operations included a particularly strong performance from titanium refining. Mr Allen said the refineries were working flat out to meet strong demand from the aerospace industry, and in particular from Rolls-Royce.

Sir Eric Pountain, IMI's new non-executive chairman, said although inflationary pressures and high interest rates in Britain warranted some caution for the second half, IMI's product portfolio, geographic spread and sound balance sheet provided an excellent base for the short and longer term.

See Lex

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Adscene Group ....fin	4	Oct 17	2.8	6	4.3
ADT ....int	5.95§§	Jan 5	4.9	-	15
Beattie (James) ....int	1.2	Nov 1	1.1	-	4.5
Booker ....int	6.5	Jan 2	6	-	18
Brammer ....int	4.5	Oct 19	4.5	-	13
Cantors ....fin	2	Nov 9	1.5	3	2.25
CRH ....int	1.75♣	Oct7	1.5	-	4.5
Fairey Group ....int	2.4	-	-	-	-
Gowrings ....int	2.25	Nov 9	2.34	-	4.5
Hestair ....int	3.6	Jan 2	3	-	7.6
Home Count News ..int	2.5	Oct 18	1.875*	-	6*
IMI ....int	3.8	Oct 16	3.15	-	8.15
Intl Colour Mgt ....fin	0.95	-	0.8	1.45	0.8
Lopex ....int	2.9	Oct 27	2.4	-	6
Metal Closures ....int	2.35	Dec 1	2.35	-	8.15
Olives Holdings ....int	3	-	nil	-	nil
Osprey Comms ....fin	2.4†	Oct 24	2	3.6	3
Pearl Group ....int	7.5	Oct 20	6	-	15
Peek ....int	1	Jan 4	0.9	-	3
Peters (Michael)........fin	2	Dec 15	2.2	3.7	3.7
Provident Fincl ....int	7	Nov 9	6	-	18
Ropner ....int	3	Dec 29	3	-	7.25
Sedgwick Group ....int	4	Oct 27	4	-	12
Severfield-R'ves§........int	1	Oct 30	0.75	-	2.75
Systems Reliab ....int	0.75	Nov 1	nil	-	1
Taylor Woodrow ....int	1.75	Oct 3	1.6*	-	7.5*
Tozer Kemsley ....int	1.5	[illegible]	[illegible]	-	3.64*
Wyevale Garden §....int	1.8	Oct 27	1.4	-	4.5

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ‡Third market. ♣Irish currency. §§ US cents. Scrip option.

UK COMPANY NEWS

Balance sheet to be strengthened via two part share issue to raise £272m

ADT surges 32% to £68m at six months

By Clay Harris

ADT, the electronic security systems and car auction group, increased interim pre-tax profits by 32 per cent to $105.8m (£68.2m). ADT is also strengthening its balance sheet with a two-part share issue which will raise up to £272m.

Laidlaw Transportation, the Canadian-based school bus and waste management company, is subscribing for half the total to raise its stake in ADT's ordinary shares from 24 per cent to 28 per cent. The other shares will be offered to ADT's non-North American shareholders in the first such issue since the former Hawley Group moved its domicile to Bermuda at the end of 1984.

The shares are being offered at 203p, compared with yesterday's closing price of 211½p, up 2½p. Laidlaw bought most of its present stake in April at a price of 160p.

Mr David Hammond, finance director, said it was an "opportune" moment for the issue which, if fully subscribed, will increase ADT's tangible net worth to more than $1.2bn.

He denied, however, that any large acquisition was imminent. "We are creating more flexibility but we don't have anything specific in mind today," Mr Hammond said.

ADT has pared itself to two core activities through the disposal of lower margin maintenance operations. This enabled it to increase pre-tax profits in the six months to June 30 from $80.1m in the 1988 half, even though turnover fell by 27 per cent to $667.3m ($915.8m).

This means ADT's operating margin has soared from 9.1 per cent to 15.4 per cent in the space of a year. More improvement is still to come as the first half contained about $150m of sales from discontinued activities.

ADT reported satisfactory trading from both divisions. Security was benefiting from high-volume sales to residential customers and from consolidation of central monitoring stations. With 350,000 residential and commercial customers, ADT is the world's largest electronic security group.

In motor auctions, where ADT also claims world leadership, UK activity was helped by the mild winter and strong demand for used vehicles. A computerised vehicle management facility for trade buyers had been well-received.

The share of earnings from associates slipped to $14.2m ($15m), helping ADT's tax charge to fall from 12.2 per cent to 9.6 per cent. Gains on disposals produced an extraordinary credit of $71m ($61.5m). Earnings per share were ahead by a third to 12.4 cents (9.1 cents), and by 24 per cent to 11.3 cents (9.1 cents) on a fully diluted basis.

Lydia van der Meer

Michael Ashcroft, chairman-president of ADT

The interim dividend is in the form of a one-for-47 scrip, worth 6.9 cents at yesterday's share price and exchange rate. Last year's interim scrip was on the same basis, but was worth 5.04 cents when it was declared. ADT shareholders can opt for a cash alternative of 5.9 cents (4.9 cents).

Shareholders will be able to apply for an unlimited number of ADT shares, although applications are subject to being scaled down. The open offer is not underwritten. ADT said Laidlaw could subscribe for any which were not taken up, subject to increasing its maximum holding to 29.9 per cent. Any shares not subscribed for will not be issued.

See Lex

Booker profit static at £30m

By Clare Pearson

BOOKER, the international food, agriculture and health group, weathered mixed conditions during the first half of the year to produce pre-tax profits of £30.3m, up from £29.1m.

Earnings per share fell from 13.6p to 12.1p. They were held back by the 1988 rights issue to finance the purchase of the Linfood cash and carry business, which has a strong second half bias. The interim dividend is set at 6.5p (6p).

Group turnover rose to £1,045.1m (£621.5m). The tax charge fell from 33 to 26 per cent.

A Norwegian salmon harvest which is set to double in the course of the year to about 160,000 tonnes was the main factor leading to a disappointing performance by the agribusiness division. The total European Community market is for something under 100,000 tonnes per annum, according to Booker.

A heavy push into protein crops proved misguided in the face of EC policy, while there were delays in obtaining planning approval for the modernisation of mushroom producing capacity. Agribusiness profits fell from £19m to £12.3m.

However, the integration of the Linfood Cash and Carry business, together with strong performances from the specialist wholesale food and food services companies helped the food distribution division to pre-tax profits of £8.1m (£2.3m).

An improvement at the trading level in the health products division was masked at the pre-tax line by the inclusion in the comparable figures of non-recurring items.

● COMMENT

After last year's poultry problems in the US, this year it has been the turn of UK agribusinesses to take a beating. Although this is the way of commodities, you could say Booker is beginning to look accident-prone. At the least, it will definitely not want to be producing any disappointments in 1990. That is the year when investment in areas such as mushroom production is expected to be coming good, and the integration of the Linfood acquisition, for which Booker made a big provision in its 1988 accounts, should be feeding through into strong growth. This full year, Booker says it is hoping that it will get some improvement in earnings per share, though everything hinges on the crucial final quarter trading. But assuming earnings edge up a fraction, on pre-tax profits, including property profits, of around £93m, the shares stand on a prospective p/e of nearly 12. Their performance has long been uninspiring, but should be more interesting when the market starts looking at next year's developments.

Panel decides on Hoylake request

By Ray Bashford

THE EXECUTIVE of the Takeover Panel yesterday made a decision on the request by Hoylake, the consortium making the £13.5bn takeover offer for BAT Industries, for an extension to the normal 60-day timetable.

Following two weeks of deliberation, the executive is believed to have recommended that a full hearing of the Takeover Panel should decide on whether an extension is justified.

However, sources in the City said that the executive has ruled against Hoylake on its claim that BAT is frustrating the bid by employing delaying tactics in the US.

This decision is almost certain to lead to an appeal by Hoylake against the decision before a full meeting of the Panel.

Hoylake made the request for an extension because of the need to receive approval from US state insurance commissions for a change in ownership of Farmers – BAT's US insurance operation – which is a potentially protracted process.

The company has also argued before the panel executive that BAT has attempted to frustrate the offer by employing delaying tactics in the US.

Hoylake made a submission to the Panel two weeks ago for an extension for the offer, which was formally launched on August 8.

BAT has told the Panel that the timetable is a fundamental part of the takeover rules and should not be altered when the delays created through the need for US regulatory approval were foreseeable before the bid was announced.

Sir James Goldsmith, the Anglo-French financier heading the Hoylake bid, said last week that the failure to gain the extension would make victory "much, much more difficult."

The introduction to the Panel's Code gives the executive the right to make direct references to the full Panel "when it considers that there is a particularly unusual, important or difficult point at issue."

Brammer cautious after interim profit up 3.5%

By Vanessa Houlder

BRAMMER, the industrial service group, yesterday announced a 3.5 per cent rise in its interim profits and expressed caution about its immediate future.

Pre-tax profits increased 3.5 per cent from £6.50m to £6.73m for the six months to June 30, with turnover on continuing businesses up 11.9 per cent to £60.27m (£56.54m).

Mr Jon Foulds, chairman, said he viewed the immediate future with some caution because of pressure on margins and slowing market growth.

BSL, the core distribution company, suffered from a slowdown in the UK small order and replacement market for industrial components, although this was tempered by its recent decision to broaden its product base. As a result industrial components other than bearings account for over 45 per cent of BSL's sales compared with 29 per cent in 1980.

This business was also affected by the move by bearings manufacturers towards a common European pricing policy in preparation for 1992. Consequently price increases in the UK replacement bearing market have been below inflation, putting pressure on the margins of UK distributors. BSL is increasing its prices by 3 per cent, compared with a rise in costs of close to 10 per cent.

The rental business, which put up a poor showing in 1986 and 1987, showed an improved performance, particularly in the UK. Substantial management effort was still required in France and Germany to improve its profitability, the company said.

Sales increased by 21 per cent at Master Pumps, based in Dallas. BSL Engineering and Brammer Mecanique posted a strong profit performance.

The company confirmed its sale of Pope Machinery for $4m. It took the business's £61,000 loss as an extraordinary item, since it deconsolidated its result from the time it decided to make the sale.

Earnings per share increased from 10.0p to 10.1p. The dividend was unchanged at 4.5p.

● COMMENT

After Brammer's share price fell 13p to 249p yesterday investors must once again have rued the day four years ago when they rejected a 420p-per-share offer from Bunzl. The general lack of enthusiasm yesterday stemmed less from the interim results, which were much as expected, than from a distinctly downbeat trading statement. Brammer's largest business appears to be caught in a tight margin squeeze as the attempt to level out bearings prices across Europe has coincided with a sharp rise in costs and a slowdown in its market. Elsewhere, however, the picture looks somewhat brighter as Brammer makes progress on its European rental business and its pumps business in the US. That said, it seems unlikely to make more than £13.8m this year, which puts the shares on a p/e of 12. Aside from an element of bid speculation the only support for the price at this level is the yield of 7 per cent, which gives the shares a place in some high yield funds.

Michael Peters margins trimmed

Michael Peters, the USM-quoted design and communications consultancy, announced an improvement of 10 per cent to £2.34m in pre-tax profits for the year to June 30. Sales more than doubled, from £22.53m to £45.82m.

Difficulties in the North American market, foreshadowed in April's interim statement, were responsible for the sharp contraction in margins. The chairman, Mr Michael Peters, said the UK operations produced strong organic growth. He predicted that all the businesses would make progress in the current year with the full impact of recovery in the US coming through in 1990-91.

Earnings declined from 14.13p to 11.07p. The proposed final dividend is cut to 2p (2.2p) for a maintained total of 3.7p.

Pentos held back by consumer spending

By Rachel Johnson

PENTOS, the retail and office furniture group yesterday managed interim pre-tax profits of £2.7m, an increase of 12 per cent from the same period last year, despite the fall in consumer spending in the retail sector.

The company also announced an issue of shares at 119p to raise £3.94m – initially to reduce bank borrowings, then to finance a £7m acquisition of an academic book retailing outlet. Pentos shares closed 1p lower at 121p.

Mr Terry Maher, chairman, who is leading the campaign to abolish the net book agreement (which allows publishers to set minimum retail prices for most of their books), said the squeeze on consumer spending meant his short-term expectations were "cautious."

However, the four specialist retailing arms, Dillons Bookstores, Athena poster and book shops and the Ryman stationery chain, all continued to be strong performers in their fields except Ryman, he said.

They returned a 30.7 per cent increase in trading profits to £1.7m on a 23.6 per cent rise in turnover to £45m. Opening five large new Dillons bookstores during the year boosted book sales by 39 per cent from the six months last year. This was in the face of "odd trading conditions" caused by good weather and transport strikes in London, Mr Maher said.

Sales worldwide for Athena were more than 30 per cent ahead of last year, but Ryman showed no improvement. Mr Maher attributed Ryman's continuing weakness to the personal organiser – a product in "rapid decline" – and a drop in the sale of business machines. Office furniture was once again Pentos's "jewel in the crown," with profits up 46 per cent to £1.9m.

Fully diluted earnings per share were 2.1p (1.9p). The interim dividend is 0.5p (0.4p).

● COMMENT

Mr Maher yesterday skipped repeating his long-term goal, which is to earn a "significantly better than average" return on investment. This may be because full-year profits are expected to reach £12.5m, for a prospective p/e of 13, which some in the City rate as too high, with no compensating yield attractions. None the less, Mr Maher is still very keen to maintain his vigorous expansion of Dillons and will restart expansion of the weakest performer, Ryman, in 1990. While WH Smith's acquisition of Waterstones could have made Mr Maher's ambitions to take a larger slice of the book market seem less attainable, observers agree that Mr Maher's hopes of lifting his market share from 6 per cent to 15 per cent in 1993 are not entirely vain ones. But the potential dangers in his means of achieving that goal were highlighted by his recent row over credit with Mr Robert Maxwell's publishing houses.

Bankers Trust can act as Bowater adviser

By Andrew Hill

A High Court judge last night overturned an injunction preventing Bankers Trust International from advising Bowater Industries, the packaging and industrial products company, bidding £382m for Norton Opax.

Norton, a print and packaging group, obtained a court order from the same judge on Monday, and was seeking damages for breach of confidence against Bankers Trust. Norton has the right to appeal against the decision within 48 hours.

Last year Norton approached Bankers Trust to discuss a possible deal and made certain projections about the company's growth available to it.

Norton was trying to recover from Bankers Trust, Bowater and Morgan Grenfell – the packaging company's other adviser – "all copies of all documents or confidential information of Norton Opax received or obtained by Bankers Trust International in connection with its work on behalf of Norton Opax."

Bankers Trust, which was unavailable for comment yesterday, advised Bowater when the packaging group first bought a 26 per cent stake in Norton in January. Mr Norman Ireland, Bowater's chairman, said on Monday that Bankers Trust had been retained as Bowater's adviser because of its involvement in the original share purchase.

The Takeover Panel was asked to rule on a similar situation two years ago, when Molins attacked Schroders for advising hostile bidder Tozer Kemsley Millbourn within 18 months of acting for Molins executives on an unsuccessful institutional buy-out.

The Panel ruled that Schroders should continue to advise TKM to avoid unnecessary disruption for Molins shareholders, and added an appendix to the Takeover Code warning that corporate finance departments might have to decline assignments in the event of a serious conflict of interest.

UK COMPANY NEWS

Unanswered questions about Eagle Trust

Philip Coggan sets out the issues which remain unresolved by recent revelations

The weekend interview with Mr John Ferriday, former chairman and chief executive of Eagle Trust, the UK company at the centre of a Serious Fraud Office inquiry, appeared to confirm what other evidence had been suggesting for many weeks.

The Sunday Telegraph quoted him, from an undisclosed location outside the UK, as describing how Eagle loans were used to finance the purchase of its own shares and telling the story of the £13.5m apparently missing from Eagle Trust.

But Mr Ferriday's statements raised as many questions as they answered and provoked speculation that the SFO will need to widen its inquiries beyond the search for the £13.5m. Mr Ferriday has not responded, over several weeks, to Financial Times inquiries but these are among the issues which have yet to be resolved:

How exactly was the transaction organised?

Mr Ferriday, in his explanation of events, cited Automotive Industries (UK) as the vehicle through which funds were passed to Swiss Bank Corporation, the organisers of the rights issue, which was launched to fund the £48m purchase of Samuelson, the TV and film company. But SBC says it received payments of £13.5m on the instructions of Anser General Investments, a Panamanian registered company. Who owned Anser?

In addition, Mr Ferriday is quoted as bailing out sub-underwriters – "genuine people, honest and trustworthy City people who did not deserve their fate" – from bankruptcy. Who are these people? Can they confirm Mr Ferriday's version of events?

Where are the shares now?

Who now owns the shares that were acquired in the sub-underwriting support scheme? Have they been used as security for loans, as is believed by some involved in the Eagle affair?

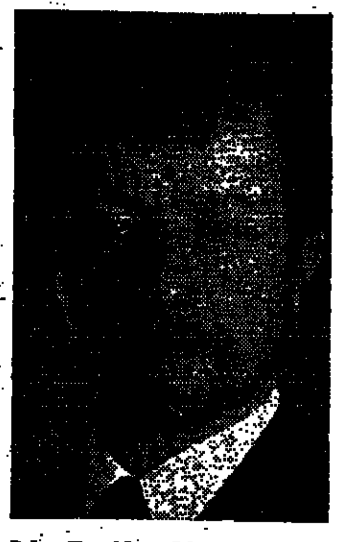
The shares are believed to be held in the name of Standard Chartered Nominees, shown on the share register of July 1988 as holding two accounts of 46.17m shares and 15.59m shares respectively.

If Mr Ferriday personally relieved the sub-underwriters of their commitments, as he stated in the weekend article, that would have left him with a minimum of 45m shares, given that the rights shares were issued at 30p. However, Mr Ferriday is listed in the circular which announced the purchase of Samuelson as owning nearly 22m shares, as of November 5 1987. By the 1987 year end Eagle's annual report shows him as owning a mere 35m shares.

The totals that Mr Ferriday reported do not tally with his statements about the underwriting and there is no record of him declaring the purchase (or subsequent sale) of the shares, as Stock Exchange's rules, in the so-called Yellow Book, and the Companies Act 1985 required him to do.

What happened to Mr Ferriday's other business interests?

Mr Ferriday was reported as saying that "I taxed and raped every single source of funds I had" to help bail out the sub-underwriters. Did this taxing and raping involve Paramount Airways, the company in which Mr Ferriday and Mr Smith had a controlling interest, and which has been placed in the hands of the administrators? The administrators say that several million pounds of funds cannot be accounted for at Paramount.



John Ferriday: his statements raised as many questions as they answered

Should the Laforza transaction have been disclosed to shareholders?

Mr Ferriday was reported as saying that the outflow of £13.5m from Eagle was made good by the injection of Automotive Industries (UK) – described in the article as "one of his private interests" – which had acquired a half share in Laforza, a car manufacturer and distributor, for $9.8m.

This explanation is somewhat complicated by Mr Ferriday's reported statements that Eagle acquired only an option in AI (UK) and that the stake in Laforza was "worth far more than £13.5m." There is also the baffling statement in the article that Mr Ferriday retained the "$9.8m liability himself as he had not paid for it." Did Mr Ferriday own Automotive Industries and the Laforza stake or not? If he did, then surely the purchase was a Class 4 transaction, as defined by the Yellow Book. A Class 4 transaction includes "an acquisition or disposal of assets by the company or any one of its subsidiaries from or to a director or substantial shareholder or an associate thereof."

Even an option to purchase AI (UK) would appear to fall under the description of "a transaction under which the company or any one of its subsidiaries is to take an interest in a company, whether existing or about to be formed, any part of the equity share capital of which has recently been, or is to be acquired, whether by subscription or otherwise by a director or an associate thereof." A Class 4 transaction, adds the Yellow Book, requires that a circular be sent to shareholders and that the transaction be approved at a general meeting of shareholders. In the case of Laforza no circular was sent or meeting held. If a circular had been sent then shareholders might have been able to judge, from Laforza's accounts, exactly how much the stake was worth.

What was the position of the other directors?

Mr Ferriday is quoted as saying, in relation to the transfer of funds from Eagle, that "I purposely made sure no-one knew what I had done."

However, he is also reported as saying that his partner Mr Richard Smith "is aghast at what I did." When was Mr Smith told? Did he then inform the appropriate authorities? Mr Smith has so far declined to comment.

If the other directors of Eagle accepted the explanation that monies had been used to acquire Automotive Industries (UK) and thereby a stake in Laforza, what were they told about the ownership of AI (UK)? If they were told AI (UK) was owned by Mr Ferriday, why did they not insist on a circular because it was a Class 4 transaction?

Disposals bring in C$50m for Tate

By Clay Harris

REDPATH INDUSTRIES, the Canadian sugar refiner taken into full ownership by Tate & Lyle, the UK-based sweeteners group, earlier this year, has sold three subsidiaries for C$50m (£27.5m). The disposals had been planned when Tate paid £140m for the 49.9 per cent minority in Redpath.

Daymond Vinyl and Heartland, manufacturers of vinyl siding, were sold to Toronto-based Jannock, and Daymond Alumnium, which makes extruded aluminium products, was sold to Aluminart Products. Together, the operations made pre-tax profits of C$7.2m in 1988.

Redpath has yet to sell its considerably larger automotive business, which makes injection-moulded plastic components for car interiors. This disposal is expected to be completed before the end of 1989.

Cons Venture Trust

Consolidated Venture Trust announced pre-tax revenue of £110,000 (£41,000) for six months to July 31 1989. Net asset value was 370.3p (309.5p).

TKM hits £21m but warns on outlook

By John Thornhill

TOZER KEMSLEY & Millbourn (Holdings), the motor distributor in which Sir Ron Brierley's IEP has a 67 per cent holding, lifted pre-tax profits by 19 per cent from £17.85m to £21.24m in the half-year to June 30, helped by continuing strong demand in all its markets.

However, the company warned that high interest rates were beginning to affect trading conditions and it expected a levelling off of sales after August.

Mr Reg Heath, chief executive, said he thought national car sales in August might have tipped the half million level. "For the rest of the year, I think the market will remain buoyant but margins will come under more and more pressure as manufacturers try to get their cars sold. That will lead to reduced margins but fantastic deals for customers," he said.

In April, TKM acquired the exclusive distribution rights for Subaru in Australia. TKM already owns a Ferrari agency in the country and is planning further expansion.

During the period, TKM's interests in France were disrupted by relocation. Although this had an impact on short term profitability, Mr. Heath said it would enable TKM to expand further on the Continent in the future. TKM currently runs eight retail dealerships in France and derives over a quarter of its profits from overseas interests.

Turnover was up by 9 per cent to £516.21m (£475.21m) and an exceptional gain of £1.7m resulted from the sale of investments.

The interim dividend has been raised by 50 per cent to 1.5p. Earnings per share grew to 5.9p (4.9p – adjusted for a bonus issue).

● COMMENT

TKM is one of the higher rated stocks among motor distributors and yesterday's results give an indication of why this is so. The company's broad spread of interests, both in geographical and market terms, gives a more solid defensive edge than most motor groups can show, and this will become of increasing value as times grow stickier. Sales in August, according to TKM, were strong, but several indications would seem to suggest that the much-heralded slump in car sales will finally arrive in September. TKM cannot expect to emerge unscathed but it still might emerge less bruised than others. Another factor that will help support TKM in the market is IEP's holding which has been creeping up again of late. Sir Ron Brierley's mysterious machinations are as opaque as ever but they can do no harm to TKM's share price. Pre-tax profits for the year should rise to about £51m giving a prospective multiple of around nine.

NEWS DIGEST

Ropner boosted by dry weather

PROFITS OF Ropner, with interests in engineering, garden products, insurance broking, property development and shipping, rose from £2.58m to £2.88m pre-tax for the half year ended June 30.

Turnover was down marginally from £30.75m to £29.95m. Earnings worked through at 7p (5.8p) and the interim dividend is a same-again 3p.

Dry weather in the months of May and June boosted sales of the garden products division (profits here rose from £1.72m to £2.01m) and shipping benefited from an improved freight market and a contribution from the Scruttons associate – the division's profits rose from £585,000 to £1.35m.

Engineering showed improved results, reflecting the absence of losses accountable to Airtech, but conditions remained difficult in insurance broking and the division will not have a profitable year.

All-round organic growth at Gowrings

All-round organic growth, with good progress in its motor division and the leisure division having an exceptional first half, saw Gowrings lift pre-tax profits 69 per cent from £301,000 to £510,000 in the first half of 1989.

Turnover in motors climbed from £22.57m to £28.07m while leisure advanced from £1.76m to £2.31m. Mr John Fowles, the chairman, said the existing businesses were well organised and soundly managed and the group looked forward to continued organic growth. It also intended to accelerate development through acquisitions and a number of possibilities were being actively considered.

Tax was £168,000 (£91,000) leaving earnings of 5.5p (3.4p). The interim dividend is 2.25p (2.34p) but a final of not less than 3.375p is forecast to make a total of 5.625p (4.5p). The £1 shares were admitted to the Official List in June following a placing of 2.75m new ordinary at 160p each.

Beattie checked by spending downturn

With trading profits adversely affected by reduced consumer spending, James Beattie, department stores operator, benefited from a doubling in interest receivable and so emerged with pre-tax profits up 10 per cent from £2.35m to £22.59m in the half year to July 31.

The directors said the long hot summer and the refurbishment of the Wolverhampton store also contributed to the trading downturn. Trading profits declined from £1.69m to £1.38m but interest receivable rose from £666,000 to £1.22m. After tax of £908,000 (£822,000) earnings per share came out at 3.64p (3.31p). The interim dividend is increased 1.2p (1.1p).

TENDER NOTICE

UK GOVERNMENT ECU TREASURY BILLS

For tender on 12 September 1989

1. The Bank of England announces the issue by Her Majesty's Treasury of ECU 900 million nominal of UK Government ECU Treasury Bills, for tender on a bid-yield basis on Tuesday, 12 September 1989. An additional ECU 50 million nominal of Bills will be allotted directly to the Bank of England.

2. The ECU 900 million of Bills to be issued by tender will be dated 14 September 1989 and will be in the following maturities:

ECU 300 million for maturity on 12 October 1989
ECU 300 million for maturity on 14 December 1989
ECU 300 million for maturity on 15 March 1990

3. All tenders must be made on the printed application forms available on request from the Bank of England. Completed application forms must be lodged, by hand, at the Bank of England, Securities Office, Threadneedle Street, London not later than 10.30 a.m., London time, on Tuesday, 12 September 1989. Payment for Bills allotted will be due on Thursday, 14 September 1989.

4. Each tender at each yield for each maturity must be made on a separate application form for a minimum of ECU 500,000 nominal. Tenders above this minimum must be in multiples of ECU 100,000 nominal.

5. Tenders must be made on a yield basis (calculated on the basis of the actual number of days to maturity and a year of 360 days) rounded to two decimal places. Each application form must state the maturity date of the Bills for which application is made, the yield bid and the amount tendered for.

6. Notification will be despatched on the day of the tender to applicants whose tenders have been accepted in whole or in part. For applicants who have requested credit of Bills in global form to their account with Euro-clear or CEDEL, Bills will be credited in the relevant systems against payment. For applicants who have requested definitive Bills, Bills will be available for collection at the Securities Office of the Bank of England after 1.30 p.m. on Thursday, 14 September 1989 provided cleared funds have been credited to the Bank of England's ECU Treasury Bills Account No. 59005516 with Lloyds Bank Plc, International Banking Division, PO Box 19, Hays Lane House, 1 Hays Lane, London SE1 2HA. Definitive Bills will be available in amounts of ECU 10,000, ECU 50,000, ECU 100,000, ECU 500,000, ECU 1,000,000, ECU 5,000,000 and ECU 10,000,000 nominal.

7. Her Majesty's Treasury reserve the right to reject any or part of any tender.

8. The arrangements for the tender are set out in more detail in the Information Memorandum on the UK Government ECU Treasury Bill Programme issued by the Bank of England on behalf of Her Majesty's Treasury on 28 March 1989. All tenders will be subject to the provisions of that Information Memorandum.

9. The ECU 50 million of Bills to be allotted directly to the Bank of England will be for maturity on 15 March 1990. These Bills may be made available through sale and repurchase transactions to the market makers listed in the Information Memorandum in order to facilitate settlement.

10. Copies of the Information Memorandum may be obtained at the Bank of England. UK Government ECU Treasury Bills are issued under the Treasury Bills Act 1877, the National Loans Act 1968 and the Treasury Bills Regulations 1968 as amended.

Bank of England
5 September 1989

UK COMPANY NEWS

Cash from flotation helps boost Fairey to £6.03m

By Vanessa Houlder

FAIREY GROUP, the specialist engineering group which joined the market in November, yesterday announced a 47.6 per cent rise in pre-tax profits for the six months to July 1.

Turnover increased by 5.8 per cent from £40.18m to £42.49m.

At the pre-tax level, the results benefited from the cash raised in the flotation and strong cash flow which helped turn last year's £1.09m interest charge into a credit of £56,000. Operating profits rose by 26 per cent to £5.97m (£4.74m).

The results reflected strong performances from the electronics and electrical power division which increased operating profits from £2.27m to £3m and from the filtration and specialised ceramics business which increased operating profits from £1.28m to £2.21m.

However, the aerospace and defence division suffered a fall in operating profits from £1.19m to £762,000. This result, which was described as "a little disappointing," reflected slack sales and margin pressures. It also reflected a "prudent" approach to certain contracts and the closure of a factory, which has reduced the number of operating sites from three to two.


Derek Kingsbury – looking for further acquisitions

Fairey, which was founded in 1915, was the subject of a management buyout from Pearson, the diversified group which owns the Financial Times, in late 1986.

Mr Derek Kingsbury, chairman and group chief executive, said that the group continued to look for acquisitions in North America and Europe, particularly in the electronics and electrical power sector.

Earnings per share increased by 39 per cent from a pro forma 8.4p to 11.7p. An interim dividend of 2.4p was declared.

● COMMENT

Investors who plied into Fairey last November have seen their shares move off to a good start. They have risen from an issue price of 155p to 253p in July, helped by a brief spell of bid chatter and "green" fervour, which latched onto Fairey's involvement in drinking water filters. The price then fell back until yesterday's better-than-expected results sent them up by 12p to 224p. Analysts were impressed by the strong margin improvements from the two largest divisions, which offset a disappointing performance from the aerospace and defence division. Given its reliance on the military sector, matters in this division are not expected to improve greatly although actions taken by new management should yield benefits next year. Elsewhere however, it is in solid growth markets and to a large extent it is insulated from the effects of an economic slowdown. This year, it should produce profits of about £11.5m, which puts it on an appropriate rating of 10.

Reorganised Hestair edges ahead to £10.62m midway

By John Ridding

HESTAIR, the personnel services and consumer products group, which changed its shape following sale of its engineering businesses at the beginning of the year, yesterday announced interim pre-tax profits just 5 per cent ahead to £10.62m.

Earnings per share for the six months to July 30 slipped from 14.6p to 13.3p largely reflecting the impact of shares issued to finance the acquisition of Maclaren, the baby buggy manufacturer, in June 1988. The shares closed up 2p at 230p.

Mr David Hargreaves, chairman, said that comparisons between the two periods were difficult because of the disposal of the engineering businesses and acquisitions and reorganisation within the remaining divisions.

But he said that "we are pretty pleased to have more than made up the loss of earnings from the vehicles business" and that the group's underlying growth was an "encouraging" 12 per cent.

A breakdown of profits show that ongoing businesses made £11.14m compared with £7.9m last time. Discontinued businesses removed £2.83m from profits before interest.

The results were again dominated by the group's personnel services division which increased profits from £7.14m to £9.08m. Although Atlas, which operates principally in London, saw a downturn – partly the result of the transport strikes – strong growth was experienced in all of the UK businesses.

In the US, however, the group's personnel businesses suffered from "distinctly soft" markets in the north east. In addition, there were reorganisation costs associated with putting all of the businesses under the Talentree umbrella.

Mr Hargreaves said that there was "no sign of a downturn" in either permanent or temporary staff placements.

The consumer products division, which has a second half bias, raised profits from £1.29m to £1.44m. Mr Hargreaves said that "in the light of recent discussions with retail sales customers we remain optimistic for the second half though any increase in interest rates would further damage retail confidence. He described the first half as being "generally slow for the whole division" and said that Christmas trading would be "most important."

Group turnover increased from £145.6m to £137.5m. There is an interim dividend of 3.6p (3p).

● COMMENT

On the face of it, Hestair's results look fairly unimpressive. Shareholders may well wonder how much of an achievement it is for profits to grow only enough to compensate for a significant disposal, particularly when earnings per share fall. But this understates the real picture which includes the introduction of a second half bias through acquisitions and the potential benefits of reorganising US personnel operations. This said, the fact that the second half has become more important and that the bias reflects consumer products introduces a note of uncertainty. There is little reason for concern at present – Kiddicraft sales are, for example, up 31 per cent – but the Christmas period will be critical. Less doubt attaches to the core personnel services division and this should ensure pre-tax profits of £25m for the full year. With the tax charge edging up, the shares are on a fair prospective rating of 8.

Systems Reliability rings up £3m at half-way stage

Philip Coggan

SYSTEMS RELIABILITY Holdings, the telephone systems and computer dealing company, yesterday dialled up interim pre-tax profits of £3.02m compared with £267,000 in the same period a year earlier.

The company, which is being revamped by ex-Hillsdown executive Mr Robert Evans, made a spate of acquisitions in the first half, which contributed around £1.33m at the pre-tax level.

All four acquisitions were included for three months or less.

There are now three operating divisions: communications, which mainly consists of the original Systems Reliability telephone equipment business; personal computers, which consists of Fletcher Dennys and Essex & City (now renamed Corporate Computers) and South East Computers; and mainframe services, which includes Enterprise and Chase International.

Communications made operating profits of £850,000 on turnover of £11.18m, while personal computers made £1.48m on £22.1m and mainframe services £1.07m on £11.4m. Previous year figures are not comparable.

Mr Evans said that maintenance income (which is subsumed within the communications and personal computer divisions) rose 26 per cent to £3.39m.

Although the group's Australian and US operations made small losses, they are expected to be profitable in the second half.

Group turnover rose to £44.6m (£9.05m). Operating profits were £3.4m (£712,000) and interest payable £373,000 (£15,000 receivable).

After tax of £795,000 (£184,000, earnings per share were 6.2p (0.5p). The interim dividend is 0.75p (nil).

Samsung Electronics Co., Ltd.
(a company incorporated with limited liability in the Republic of Korea)

US $20,000,000 5 per cent. Convertible Bonds 2000

As described in the Notice published on 25th July, 1989, the Company has granted rights to holders of its shares and to its employees to subscribe for shares in the Company and has also authorised a free distribution of its shares.

NOTICE IS HEREBY GIVEN to the holders of the Bonds that, pursuant to the provisions of the TRUST DEED constituting the Bonds, the Spot Price per share has been adjusted to reflect the above events from W 8,878 to W 8,024 and as a result the Conversion Price from W 17,756 to W 16,048 with effect from 25th August, 1989.

Samsung Electronics

Reg Vardy coming to market with a £30m tag

By Clare Pearson

REG VARDY, a motor dealer based in the north east of England, is coming to the main market early next month via a placing that will value it at about £30m.

The placing will raise between £7m and £8m. All of the proceeds, bar about £350,000, will represent new money for the company.

Vardy, which retails both specialist and volume cars from 15 locations, made pre-tax profits of £3.81m (£2.4m) on sales of £93.32m (£64.25m) in the year to end-April.

Mr Peter Vardy, chairman, admits that this seems an unusual time to seek a listing, given widespread expectations of a downturn in the UK car market. "But acquisition opportunities are coming thick and fast at the moment," he said yesterday. He added there seemed to be an increasing trend of individual dealerships being acquired by larger groups.

The specialist division holds franchises for Rolls-Royce, Aston Martin, Ferrari, Jaguar and BMW. In volume cars, it concentrates on Ford, Vauxhall and Rover as well as Fiat, VW/Audi and Renault.

It is keen to build up both after-market sales, which accounted for about 35 per cent of gross profits last year, and sales of used cars.

The company's origins lie in a Durham-based haulage business which Mr Vardy's father began turning into a car retailing concern in the 1950s.

In 1982, through a demerger of the haulage side, Mr Peter Vardy bought out his two brothers.

Lopex makes £6m acquisition as profits rise 23%

By John Thornhill

LOPEX, the advertising and communications group, yesterday announced a £6m acquisition to expand its UK activities and a a placing of shares to raise £2m in cash.

It also unveiled a 23 per cent increase in interim pre-tax profits to £3.39m, although it said the result had been affected by the deferment of some consumer advertising and high interest rates.

Lopex is to buy Rex Stewart, a privately-owned communications group with interests in advertising and human resources. The acquisition will make Lopex one of the three largest recruitment advertising groups in the UK and strengthen its regional interests in consumer advertising and direct marketing.

Rex Stewart incurred losses before tax of £533,000 in the year to March 31 after making record profits of £1.68m the year before. Exceptional costs of £1.36m resulting from losses at its Manchester office and reorganisation expenses were blamed for the disappointing result. Shareholders' funds stood at £2.96m at March 31.

The acquisition will be funded by the issue of ordinary and convertible shares with a partial cash alternative.

Mr John Castle, Lopex's chairman and chief executive, said the overall performance in the half year to June 30 had been satisfactory, with excellent contributions from its marketing services brands – Design in Action, Purchasepoint, and RCF. Turnover rose to £80m (£73.21m) and revenue grew to £25.54m (£21.03m).

He added that Lopex had picked up a record amount of business in the first half of the year and, as a sign of the company's confidence in the future, it had raised its interim dividend by 20 per cent. Earnings per share were 9.9p (9.26p).

In 1989 Lopex has made several acquisitions for about £1.7m in cash. Mr Castle said in order to refresh the group's working capital Lopex would raise £2m by means of ashare placing with institutions.

● COMMENT

Lopex has been dogged by a dull image in the otherwise flamboyant advertising sector, but this view is increasingly seen as being rather unfair. Few other advertising groups of its size can boast such a consistent financial record as Lopex and even less can exhibit such a clear strategy in developing a network of European contacts ahead of the presumed benefits of 1992. About 45 per cent of Lopex's taxable profits now come from overseas and its Alliance network now spreads through 14 European countries – a small seedcorn development in Switzerland has just been added – and three countries elsewhere. Some followers still remain sceptical of the value of this European web of agencies but they can perhaps content themselves with yesterday's acquisition which will give Lopex more market ballast in the UK. Despite yesterday's slightly soft results, pre-tax profits of about £8.5m look in view for the year, putting Lopex on a multiple of just under 10. In the short term, that appears fair as the share price may be held back by the issue of new shares and soggy sentiment towards the sector. But further out they may well offer considerably more.

NEWS DIGEST

Downturn at Metal Closures

TURNOVER AT Metal Closures Group, the packaging and printing group, rose by 7 per cent to £56.5m in the half year to July 1 1989, but the impact of high levels of interest coupled with the effect of SSAP 24 on the company's pension costs, resulted in a drop in pre-tax profits from £3.5m to £2.7m.

Within this result the South African group's pre-tax profits fell by £247,000, compounded by a 10 per cent decline in the rand/sterling exchange rate.

After tax of £1.27m (£1.57m) and minorities of £202,000 (£230,000) earnings per share were left at 5p (6.8p restated). The interim dividend is being maintained at 2.35p.

Directors said that factors affecting the first half were likely to continue into the second.

Cantors 30% ahead despite foam rules

In a difficult period for the furniture industry, Cantors, the retail furniture group, achieved a 30 per cent improvement in profits. For the year ended April 29 the taxable result rose from £2.33m to £3.03m on turnover 15.5 per cent ahead at £43.07m against £37.3m.

The dividend is lifted to 3p (2.25p) with a recommended final of 2p (1.5p).

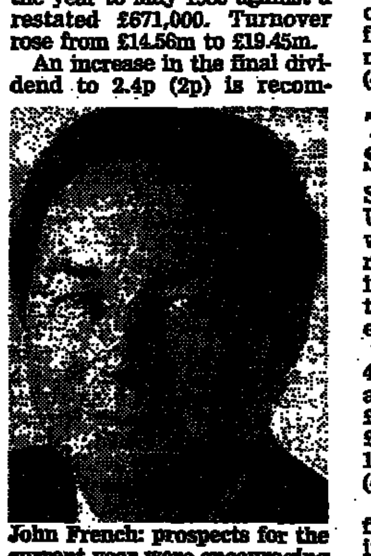
Mr Harold Cantor, chairman, said a major problem had been the new regulations regarding fire resistant foam fillings which this year would be extended to linings and covers. He added that the general reduction in trade and decline in the economic situation continued. He felt it would be difficult for the current year to equal the 1988-89 figures.

After tax of £913,000 (£799,000) earnings worked through at 15.55p (11.23p).

Osprey soars 65% to over £1m

Osprey Communications, the advertising and marketing services group, lifted pre-tax profits by 65 per cent to £1.11m in the year to May 1989 against a restated £671,000. Turnover rose from £14.56m to £19.45m.

An increase in the final dividend to 2.4p (2p) is recommended. Earnings worked through at 9.63p (7.25p) per share.


John French: prospects for the current year were encouraging

Mr John French, chairman and chief executive, said prospects for the current year were encouraging. Two companies had been acquired during the first quarter which would expand the range of services provided.

The company has changed its accounting policy so as to write off all goodwill as soon as it arises against an appropriate reserve.

Acquisitions help Adscene to £2.92m

Adscene Group, the Kent-based publisher and printer of newspapers, announced a £1m increase in pre-tax profits to £2.92m in the 53 weeks to June 3 1989.

Turnover rose 54 per cent to £20.5m (£13.3m) helped by a more-than-doubled contribution from the publishing division, where acquisitions had been successfully integrated into the group.

The profits improvement was achieved despite a net interest charge of £434,000 compared with a £2,000 gain last time.

Tax took £1.02m (£587,000) leaving earnings per 5p share of 12.4p (9p). The proposed final dividend of 4p (2.8p) makes a total for the year of 6p (4.3p).

77% increase at Severfield-Reeve

Severfield-Reeve, the USM-quoted structural steelwork fabricator and erector, reported a 77 per cent increase in pre-tax profits from £535,000 to £946,000 in the six months to end-June.

Turnover in the period rose 45 per cent to £6.2m (£4.3m) and after interest payable of £88,000 (£26,000) and tax of £331,000 (£187,000) earnings per 10p share increased to 6.47p (4.13p).

The directors said that the first half had seen a marked increase in enquiries and orders, resulting in an increased tonnage of steel being fabricated in the company's factory in Dalton. The installation of a second production line there would enable it to undertake larger contracts, they said.

The interim dividend is being raised from 0.75p to 1p.

Intl Colour achieves £1.84m

International Colour Management, maker of computer systems for colour control, lifted pre-tax profits from £1.51m to £1.84m in the year to June 30.

Directors said that the new year had started well, with orders exceeding last year's levels. The group was continuing to expand its product range, and they looked forward to continued growth in the coming year.

There is a proposed final dividend of 0.95p (0.8p), making 1.45p for the year. After tax of £605,000 (£557,000) earnings per share amounted to 11.2p (9.2p).

UK COMPANY NEWS

A fall in British housing profits is offset by strong growth in overseas earnings

Taylor Woodrow improves 27% to £43.2m

By Andrew Taylor, Construction Correspondent

STRONG GROWTH in overseas housing and commercial earnings helped pre-tax profits of Taylor Woodrow, the British property, housing and construction group, to rise by 27 per cent to £43.2m during the six months to the end of June.

A fall in British housing profits meant that UK profits overall were only about the same level as first half profits last year, said Sir Frank Gibb, Taylor Woodrow's chairman and chief executive.

Group turnover during the first six months rose by 16 per cent to £641m (£551m) and earnings per share improved by 28 per cent to 8.6p (6.8p). The interim dividend is being increased from an adjusted 1.5p to 1.75p.

Sir Frank, who is due to retire at the end of this year, said international housebuilding profits had been boosted by very strong sales in Canada. Property disposals there and in Australia had also helped to increase overseas profits which had risen by approaching £19m during the first six months.

Sir Frank said a sharp fall in British housebuilding, particularly in southern England (Taylor Woodrow builds most of its houses south of Cambridge), had wiped out profit gains from the group's other UK construction and property interests.

He said UK commercial property profits had increased due to higher rents but profits from UK property disposals were about the same level as during the first half last year.

The Greenham building materials and tools and equipment businesses in the UK also increased profits during the first half, said Sir Frank.

An exceptional item of £6.2m, taken below the line, reflected charges against losses from the sale of underperforming businesses including previously loss-making Seaforth Maritime.

The group said gearing had risen to more than 20 per cent as a result of the purchase for £45m of a large development site in London's Kensington and the acquisition for £28m of an industrial property portfolio from Peachey property group.

● COMMENT

Taylor Woodrow has a large treasure chest of property developments, many of which it has owned for a long time. It has by it own admission the ability to step up property sales and take profits when other parts of its housebuilding and construction business fall on hard times. This is clearly happening at the moment to the UK housing operations where sales are expected to be down by about a quarter this year. Fortunately for Taylor Woodrow, its international housebuilding operations should more than compensate for this fall with California in particular expected to produce excellent results in the second half. Expect more from UK property disposals in the second half while contracting results should also be a little better this year given the absence of provisions which marred last year's figures. Analysts expect full year profits for the group to be between £125m to £130m which would put the group on a pe of 11 to 11½. The unlocked value of its property portfolio justifies this rating but do not look for further gains in the present climate.

Sir Frank Gibb: profits boosted by sales in Canada

NPI takes legal advice on Stead & Simpson bid

By Philip Coggan

MR BERNARD PRAX, investment manager of National Provident Institution, the mutual life company, said yesterday that the group was taking legal advice on whether it could take any action against the board of Stead & Simpson, the footwear retailer which recently agreed to a bid from Clayform Properties.

NPI is unhappy at the 152p on offer for the ordinary non-voting shares, which followed a letter from Mr Frank Chamberlain, Stead's chairman, advising shareholders to take no action at a time when the price was 174p.

The offer for voting shares, in contrast, is £21.55 per share, based on the ratio of the two share prices in the six months before Stead announced it was in bid talks. The ratio was set by the Takeover Panel.

Mr Prax said: "Our gripe is really with the Takeover Panel and with the Stead & Simpson board." NPI points out that Stead & Simpson, rejected an offer worth 151p per non-voting share in 1988, yet accpeted an offer only 1p higher one year later.

The Stead board has argued that, after the 1988 bid, Clayform held 41 per cent of the ordinary shares and thus there was the possibility that it could have gained control through the market.

BTR in US expansion

BTR, the industrial holding company, is to buy a US air and oil filter manufacturer for $2.4m (£1.6m). The acquisition of North American Filter will be made via BTR's subsidiary, Vokes, which manufactures similar filtration products in the UK.

North American Filter, based in Newark, New Jersey, designs, manufactures, and markets industrial filtration systems and has been a Vokes licensee since 1986. Vokes is planning to expand North American Filter's factory from 20,000 sq ft to 70,000 sq ft and to build its turnover up to $10m by 1990.

Dubilier helps lift Peek to £5.8m in first six months

By John Ridding

PEEK, the electronics and industrial holding group, yesterday announced pre-tax profits of £5.83m for the six months to June 30, more than double the £2.44m achieved in the 1988 half.

The results were lifted by a contribution of about £2.3m from the Dubilier connector businesses which Peek acquired in mid-1988 and by contributions from Transyt, manufacturer of traffic control systems.

However, Edac, Dubilier's North American subsidiary,suffered from a downturn in the US computer and tele communications industry and fell well short of expectations.

Mr Kenneth Maud, chief executive, who has built the group up from a shell company over the past three years, said Edac achieved "only about 20 per cent of what it made in the same period last year."

Group turnover increased from £15.08m to £35.07m and earnings per share rose from 3.47p tp 3.83p. There is an interim dividend of 1p (0.9p).

Viscount Slim, chairman, said the balance sheet remained strong with a net cash position at the end of the period in excess of £14m. This resulted in a sharp increase in interest receivable from £213,000 to £1.16m.

The company said its cash resources would be used to to increase the critical mass of its core businesses through selective acquisitions and the investment in new products.

Despite the problems at Edac and a below budget performance from Polytechnic Electronics, manufacturer of navigation equipment, the communications and navigation division contributed more than half of group profits. The traffic and data division, which accounts for about 26 per cent of group profits, saw a strong performance from Husky Computers.

The measurement and control division was supported by the Computer Instruments subsidiary. However, expenditure from the UK water authorities did not arise as anticipated.

● COMMENT

Peek's impressive rate of growth under the guidance of Mr Maud is slowing as a result of Dubilier's difficult markets. Edac is clearly the worst affected subsidiary, but UK and European markets have also started to soften and will limit profits at Greenpar. But the group has already got what it wanted most from the acquisition - namely the £25m net cash - and is probably looking to sell the connector businesses. Strong performances are expected from Husky and the group's instrumentation companies but the connector market downturn and disappointments at Polytechnic have prompted a downward revision in full year profits from £13.5m to £11.8m. Shares have been falling steadily in the last month and shed another 8p yesterday to close at 93p. At this price they are on a prospective multiple of 8. This is low but probably fair until there is a better indication of where the next boost to growth will come from.

Allied Entertainment takes 20% stake in British and American

By John Ridding

Allied Entertainment Financial Services, a private company controlled by Mr Harvey Goldsmith, the entertainments promoter, and Mr Edward Simons, one of the founding directors of Brent Walker, has taken a 20 per cent stake in British & American Film Holdings.

B&A, which was created by Sir John Woolf, the film producer, is an investment holding company. It also has a film library which includes The Odessa File and Day Of The Jackal.

Mr Simons said the stake had been acquired as a long term investment and the purchase was "entirely friendly." He declined to disclose the amount paid for the stake.

COMMODITIES AND AGRICULTURE

Attack closes Bougainville mine again after 9 hours

By Chris Sherwell in Sydney

BOUGAINVILLE COPPER'S vast open-cut mine in Papua New Guinea resumed production yesterday morning only to be shut down just nine hours later after gunshots were fired at two buses carrying mine employees.

The company's abrupt reversal was a stunning embarrassment for the Port Moresby Government and security forces on the troubled Bougainville Island, who had assured it that security was adequate to protect employees.

A statement from the company, which is 53 per cent-owned by CRA, the Australian affiliate of the RTZ mining group of the UK, said nobody was injured in the attack, which was presumed to have been the work of a militant group of disaffected landowners.

But it declared that it had "immediately ceased production operations until further notice," and added that it was "profoundly distressed by these cowardly attacks on employees."

Earlier in the day Bougainville Copper announced that the mine had gone back into full 24-hour production. The company said it was satisfied that conditions allowed a resumption after it had received indications from the Port Moresby Government and the controller of Bougainville Island's state of emergency that "security is adequate to ensure a reasonable level of safety for company employees at work and around the operations."

The move had followed extensive discussions which concluded on Monday between Mr Rabbie Namaliu, the Prime Minister, and Mr Joseph Kabui, the Premier of the Provincial Government on Bougainville.

Yesterday Mr Namaliu expressed his delight at the resumption of production when he spoke in Parliament, and Bougainville Copper's share price surged on the Australian stock exchange.

But the shooting incident, which occurred on the road between the mine and the coastal town of Arawa, not only dispelled the optimism, it darkened the outlook. Lost production since operations ceased on May 15 already amounts to almost 200,000 tonnes of copper concentrate, worth US$290m, and last month the company reported a sharp decline in interim earnings and revenues.

Even with the resumption the company had expected to achieve only 75 per cent capacity for the rest of the year, while CRA acknowledged yesterday that Bougainville Copper would not make a significant contribution to its profit in the second half.

The problem is a militant minority of secessionist-inclined local landowners who launched a series of arson and sabotage attacks on company property and personnel last November to press for huge compensation for the establishment and operation of the mine over the past 17 years.

The Government declared a state of emergency in June after failed attempts at negotiation with the militants. While the military and police went into action, helped by Australian-supplied helicopters, the Government discussed a new financial package with local leaders.

The mine, a 580m tonne low-grade deposit of copper, gold and silver, is one of the world's largest, capable of producing some 550,000 tonnes of copper concentrate per year. Closure has forced the company to issue notices of force majeure to its customers covering specific shipments, but none have been cancelled. For the Government, a 20 per cent shareholder, it has delivered some 17 per cent of internally generated revenues and is the country's second largest source of foreign exchange after external aid.

World oil supplies boosted in August

By Steven Butler

THE INTERNATIONAL Energy Agency (IEA) yesterday reported a 500,000-barrels-a-day rise in non-communist world oil supplies in August, although spot market oil prices firmed during the period.

Most of the increase came in the developed countries which are members of the Organisation of Economic Co-operation and Development, which sponsors the IEA. UK North Sea production reached 2.2m b/d as repair and maintenance programmes were completed. Production also rose in Alaska on a month-to-month basis.

Despite the month-to-month increase, OECD production is still slightly below year-ago levels largely because of a rapid fall in US output resulting from a faster depletion rate in the lower 48 states and to low Alaskan oil production.

Oil output by members of the Organisation of Petroleum Exporting Countries also rose during the month by 200,000 b/d to 21.6m b/d. In the developing countries, production rose 100,000 b/d to 9.5m b/d, due to an increase in Colombian production.

The IEA noted that Iraqi export capacity would increase this [illegible] with the opening of a [illegible] pipeline through Saudi Arabia, which would have a capacity of 1.65m b/d when fully operational, probably sometime next year. Iraq's export capacity is expected to reach 3m b/d by the year end and could increase significantly next year.

Iraq is widely expected to press for a bigger role in Opec during negotiations in the coming months.

OECD oil consumption rose by just under 2 per cent in the second quarter of the year, led by a 6 per cent increase in the Pacific area. The IEA expects oil consumption in the OECD to rise by 3 per cent in the third quarter, but by less than 2 per cent for the entire year. Excluding the communist countries, world oil consumption is expected to rise 2.4 per cent in 1989 to 52.1m b/d.

The London-based International Petroleum Exchange yesterday launched a high sulphur fuel oil futures contract, reporting trades in excess of 5,000 tonnes of fuel oil.

The contract is to be settled in cash based on an index of published prices. Trading on the IPE has grown rapidly over the past year following the launch of Brent crude oil futures contract.

UK milk industry's 'cosy cartel' comes under fire

Bridget Bloom on the growing pressure for reform of Britain's 57-year-old dairy marketing system

BRITAIN'S MILK marketing boards have enjoyed a monopoly of the buying and selling of milk for 57 years. So when top executives of the largest utter words like "radical change" and "reform", it is time to take notice.

Mr Bob Steven, a dairy farmer himself and the chairman of the MMB of England and Wales, caused a ripple of excitement at its annual general meeting in July when he declared that the Board, and the half dozen main users of its milk as represented in the Dairy Trade Federation, had to acknowledge the need for change. He singled out for particular criticism the way the industry priced its product. "It does not recognise the circumstances of the market (nor) acknowledge the basic rules of *supply and demand*," he declared.

The pricing arrangements, involving a range of 14 different prices determined by end use and negotiated to at least three decimal places, is one of the central features of the milk marketing system which, its opponents maintain, has stifled enterprise in the dairy industry as a whole and today works to the detriment of both producer and consumer.

The system has come under pressure from discontented producers at home and from competitor industries in the European Community, now moving towards a single market. Hence the talk of reform. However, what route that reform will take is far from clear.

In Thatcherite Britain, the milk marketing system looks like a dinosaur. It was indeed born in quite a different age, for in 1933 Britain's dairy farmers were suffering from a severe farm recession and at the mercy of powerful dairy companies.

The pre-war marketing scheme created five statutory marketing boards, which still exist, with that for England and Wales – today involving some 32,000 dairy farmers and a turnover of £2bn – even then much the largest. The boards bought milk from farmers at a uniform price but for sales set a hefty differential between liquid milk for drinking and milk destined for butter or cheese. This fetched a lower price, because at the time the country's dairy product needs were met largely by imports from the Commonwealth.

The system survived the war and, more surprisingly, Britain's entry to the European Community in 1973. Although noises were made about the need for competition, the EC was even then producing costly milk surpluses and accepted that Britain's marketing system encouraged sales of liquid milk, which would not swell butter or milk powder mountains.

In essence, the system has changed little. The MMBs *today are the only authorities* allowed to buy "whole milk" from farmers and sell it on. And although there are dozens of smaller dairy concerns, five companies – Express Dairies, *Unigate, CWS, Northern Foods* and Dairy Crest, buy two thirds of the total milk produced. Dairy Crest, the largest of the companies, is wholly owned by the MMB.

Together the boards and these companies, through the Dairy Trade Federation, negotiate purchase prices for the whole industry. (Last week these ranged from 22.285 pence per litre for drinking milk to 17.884 ppl for milk used for animal feed.) There is provision for arbitration in the price negotiation system – known as the common approach to financial information, or Catfi – but it is seldom used.

Although prognostications of the end of this "cosy cartel" – held by its participants to guarantee stable and fair prices to producers, processors and consumers alike – have been *frequently heard* in the last few years, it is only in the last year or so that it has looked less than impregnable.

On the one hand, the system is under fire from a combination of court cases brought by competitors in the EC (notably in Ireland), most of which have yet to reach judgement, and moves to create a single Community market for milk. Then there are pressures on the domestic front.

It was at first thought that EC imports of UHT (ultra heat treated) milk into Britain, freed five years ago, might have proved a threat. But in the event imports carved out only a 5 per cent share of Britain's UHT market, which in turn is only about 1 per cent of total milk sales.

This year, however, imports of fresh milk from EC countries have been allowed, and in theory this poses a much greater threat, since any processor or dairy company dissatisfied with the Boards' prices could import supplies.

In practice, however, the quotas imposed on milk production throughout the EC in 1984 have succeeded in bringing milk supply and demand into much better balance and supplies available for importing have so far been limited: currently there are shortages, since milk production goes down in the late summer when cows calve.

Domestically, some middle-sized dairy companies feel they are getting a raw deal from the system. For example, North Braden Farms, a partnership of some 30 Somerset dairy farmers, *is believed to be unable to* get milk from the MMB to expand its cheese making enterprise. It is said, in consequence, to be offering its farmer suppliers a premium over the MMB prices – a device which may, it seems, be illegal, forcing it to leave the MMB scheme altogether. So delicate is the issue perceived to be that both sides are refusing to document. If North Braden Farms were to leave it is felt that others could be forced to follow.

Sir Oulton Wade, chairman of the medium-sized Mollington group of cheesemakers in Cheshire and a long-time critic of the milk marketing system, would see this as a retrograde step, as would the majority of dairy farmers, whose dogged support for "their" board is legendary. *Sir Oulton*, like other critics of the board, acknowledges its usefulness in maintaining technical standards and assuring good distribution.

However, he charges the system with stifling enterprise. "Everything is stacked against the smaller manufacturer who wants to be innovative," he says.

The Mollington group is typical *of these companies. It* started life as a dairy farm and joined the MMB-controlled farmhouse cheese-making scheme in the 1950s. But it broke away in the early 1980s in order to be able to produce and sell a wider range of cheeses, prohibited by the MMB.

Sir Oulton claims Mollington, now supplied via the MMB by a dedicated group of farmers, was the first company in Britain to produce Fromage Frais, the fresh cream cheese, the nationwide market for which has trebled in three years. Partly as a result, Mollington's turnover has risen from about £1.3m before it left the farmhouse cheese scheme to a forecast £7.5m this year. "We are pleased with our success, but it continues to be a real battle," Sir Oulton says.

Many industry observers are sceptical about the chances of rapid reform. As one put it: "Both the Board and the DTF seem to be limbering up. But will the fight be real – or just shadow boxing?"

Both Mr Charles Runge, chief executive of the MMB of England and Wales, and Mr Andrew Dare, President of the DTF and managing director of St Ivel (part of Unigate), acknowledge that change is needed but part company on its direction.

The Board *is* considering some form of tendering to replace the rigid price fixing, but Mr Dare says this would be "unfair" to the DTF. "Effectively it would mean the board keeping its monopoly while we lost the protection the present system offers us," he said in an interview last week.

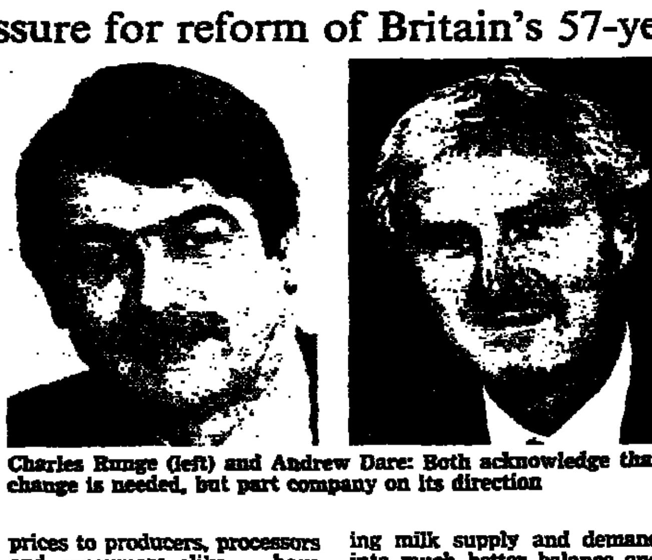
Mr Dare says he could envisage the possibility in the UK of a variant of the much freer markets which pertain in France or the Netherlands. There, processors are under no statutory obligation to buy from certain sources at certain prices, but dairy farmer co-operatives and the mainly private dairy companies are linked in regional arrangements. "The problem is, how we get from here to there," Mr Dare says.

Mr Runge, who hopes negotiations may begin with the DTF over the next few weeks for conclusion next spring, seems to agree in principle but sees difficulties. He points out, for example, that Britain's dairy farmers would have to be convinced that such a solution would be good for them.

Given these apparent differences, and its own free market predilections, it seems surprising that the Government has not offered the necessary parliamentary time to reform the MMBs' status, making such voluntary arrangements possible. On the contrary, however, former Minister of Agriculture Mr John MacGregor made it plain there would be no such legislative action in this Parliament. There seems no reason to suppose that his successor, Mr John Gummer, will take a different line.

It may well be that the logic of the single European market will ultimately destroy the marketing system as it is today. But for the immediate future it seems more likely that talks between the DTF and the MMB will drag on, with little radical change.

For as one of the senior participants *in the debate put it*: "The two sides of the industry have been in legal collusion for 57 years. And they're after the sort of change that will let them keep it that way."



Charles Runge (left) and Andrew Dare: Both acknowledge that change is needed, but part company on its direction

Brazil 'will join tin group'

By Lim Siong Hoon in Kuala Lumpur

BRAZIL, THE world's biggest producer of tin, indicated to Malaysia yesterday that it would join the Association of Tin Producing Countries (ATPC), according to Mr Lim Keng Yaik, the Malaysian Primary Industries Minister.

A formal membership application from Brazil is to be submitted to the seven-member tin group when it meets on October 16 in Bangkok.

Brazil and China, the only other significant tin producer outside the pact, have observer status in the ATPC. The Brazilian Minister for Mines is scheduled to visit Kuala Lumpur for talks with Mr Lim a week before the Bangkok meeting. Brazil's decision was conveyed through Mr Ibrahim Menudin, chief executive officer of Malaysia's largest tin company, the Malaysian Mining Corporation. Mr Ibrahim now in Brazil, has been meeting with executives of Brazil's Paranapanema, who, according to Mr Lim, had lobbied the Brazilian Government for its membership of the pact.

Based on Malaysian figures, Brazil exports more than 40,000 tonnes a year.

WEEKLY METALS PRICES

Prices from Metal Bulletin (last week's in brackets).

ANTIMONY: European free market, 99.6 per cent, $ per tonne, in warehouse, 1,720-1,770 (1,680-1,740).

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 5.80-6.00 (5.75-6.00).

CADMIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, 2.98-3.30 (2.80-3.20).

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 7.35-7.55 (same).

MERCURY: European free market, min. 99.99 per cent, $ per 76 lb flask, in warehouse, 220-235 (225-235).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 3.27-3.30 (3.25-3.30).

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 4.50-5.00 (4.65-5.00).

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit (10 kg) WO, cif, 48-62 (same).

VANADIUM: European free market, min. 98 per cent, $ a lb VO, cif, 5.10-5.30 (5.20-5.50).

URANIUM: Nuexco exchange value, $ per lb, UO, 9.80 (same).

WORLD COMMODITIES PRICES

LONDON MARKETS

ZINC prices continued sharply downwards on the LME yesterday following Monday's rise in LME warehouse stocks to a five-year high of 58,275 tonnes. The market is expecting a further rise in stocks next week. *Traders said that further pressure had* been put on the market by the liquidation of long hedges taken out before the abortive Peruvian mine strike last month. Lead prices were also easier, with three-month metal testing technical support at £450 a tonne. Dealers said the market had hit resistance following trade selling in the last two days after the recent sharp run-up to an eight-year high of £467 a tonne. Coffee prices fell in the wake of New York and amid trade selling and profit-taking. Today the ICO executive board meets but no significant discussion about the coffee pact is expected.

SPOT MARKETS		
Crude oil (per barrel FOB)		+ or -
Dubai	$15.55-5.60w	+.025
Brent Blend	$17.45-7.55	+.075
W.T.I. (1 pm est)	$19.05-9.10w	+0.20
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$199-201	
Gas Oil	$163-164	
Heavy Fuel Oil	$84-86	+1
Naphtha	$154-156	-1
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$358.25	-0.75
Silver (per troy oz)♣	507c	-1
Platinum (per troy oz)	$473.75	+1.65
Palladium (per troy oz)	$133.50	+0.15
Aluminium (free market)	$1757.5	-42.5
Copper (US Producer)	137½-141c	
Lead (US Producer)	43.5c	
Nickel (free market)	565c	-10
Tin (Kuala Lumpur market)	23.03r	+0.06
Tin (New York)	398c	-6
Zinc (US Prime Western)	83¼c	+½
Cattle (live weight)†	117.94p	
Sheep (dead weight)†‡	150.72p	
Pigs (live weight)†	98.13p	
London daily sugar (raw)	$332.4v	-0.60
London daily sugar (white)	$467.0v	-20.0
Tate and Lyle export price	£330.0	+1.0
Barley (English feed)	£106	+0.5
Maize (US No. 3 yellow)	£125	
Wheat (US Dark Northern)	£128.5t	
Rubber (spot)♥	58.50p	+0.25
Rubber (Oct)♥	61.50p	+0.25
Rubber (Nov)♥	62.25p	+0.25
Rubber (KL RSS No 1 Oct)	236.0m	-1.0
Coconut oil (Philippines)§	$432.5y	
Palm Oil (Malaysian)§	$320w	
Copra (Philippines)§	$300	
Soyabeans (US)	£174	+1
Cotton "A" index	81.3c	
Wooltops (64s Super)	583p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. y-Oct/Nov. x-Oct/Dec. t-Aug/Sep. v-Sep/Oct. w-Oct. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

COCOA – London FOX			£/tonne	
	Close	Previous	High/Low	
Sep	760	762	771	758
Dec	814	821	834	812
Mar	779	785	794	779
May	790	790	798	788
Jul	803	804	814	802
Sep	823	820	829	817
Dec	850	844	864	848

Turnover 6251 (8403) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Sep 5 927.11 (940.42) .10 day average for Sep 6 948.74 (952.80)

COFFEE – London FOX			£/tonne	
	Close	Previous	High/Low	
Sep	775	798	803	770
Nov	798	815	823	792
Jan	810	824	830	805
Mar	830	845	845	820
May	845	858	863	840
Jul	870	878	884	869
Sep	896	900	895	

Turnover 4448 (3747) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Sep 1 Comp. daily 71.67 (71.36), 15 day average 68.70 (68.38)

SUGAR – London FOX			($ per tonne)	
Raw	Close	Previous	High/Low	
Oct	290.40	295.80	297.40	290.80
Dec	287.60	289.00	287.00	287.00
Mar	278.60	281.40	281.60	278.20
May	274.00	277.00	277.00	
Aug	270.00	273.00	272.00	
Oct	262.00	254.80	265.00	262.50
White	Close	Previous	High/Low	
Oct	421.50	422.00	422.00	413.00
Dec	387.50	386.50	387.00	385.00
Mar	354.50	354.00	356.40	352.00
May	352.00	350.50	352.00	350.50
Aug	349.50		349.80	346.50

Turnover: Raw 5036 (563) lots of 50 tonnes. White 2331 (1790)
Paris- White (FFr per tonne): Oct 2620, Dec 2585, Mar 2380, May 2360, Aug 2350, Oct 2320.

CRUDE OIL – IPE			$/barrel	
	Close	Previous	High/Low	
Oct	17.42	17.38	17.43	17.28
Nov	17.28	17.26	17.30	17.18
Dec	17.19	17.15	17.20	17.04
IPE Index	17.27	17.18		

Turnover 6012 (3348)

GAS OIL – IPE			$/tonne	
	Close	Previous	High/Low	
Sep	161.75	160.75	162.00	160.00
Oct	159.25	159.00	159.50	158.00
Nov	159.00	158.00	159.00	157.75
Dec	158.50	158.25	158.50	157.25
Jan	157.50	155.75	157.50	157.25
Feb	154.00	153.50	154.00	153.50
Apr	147.00		147.00	
May	146.00	145.00	145.00	

Turnover 4346 (2122) lots of 100 tonnes

LONDON METAL EXCHANGE	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
(Prices supplied by Amalgamated Metal Trading)						
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 18,600 tonne
Cash	1769-73	1795-800	1756/1755	1756-7		
3 months	1755-8	1780-4	1760/1740	1745-6	1753-5	31,498 lots
Copper, Grade A (£ per tonne)						Ring turnover 21,925 tonne
Cash	1915-7	1900-2	1899/1898	1899-900		
3 months	1886-7	1870-1	1889/1875	1877-8	1880-1	72,736 lots
Lead (£ per tonne)						Ring turnover 12,525 tonne
Cash	462-2	464-6	467/469	464-6		
3 months	458-6	457-8	462/450	458.5-59	452-3	11,042 lots
Nickel ($ per tonne)						Ring turnover 1,776 tonne
Cash	12050-150	12200-50	12200-12050	12050-100		
3 months	11800-50	11950-2000	11950/11750	11850-900	11730-50	6,025 lots
Tin ($ per tonne)						Ring turnover 570 tonne
Cash	8570-600	8800-20	8550/8500	8510-30		
3 months	8630-50	8660-70	8630/8600	8600-50	8630-70	5,703 lots
Zinc, Special High Grade ($ per tonne)						Ring turnover 17,550 tonne
Cash	1660-70	1770-90	1670	1670-5		
3 months	1610-5	1630-60	1635/1600	1630-5	1600-5	11,906 lots
Zinc ($ per tonne)						Ring turnover 11,950 tonne
Cash	1590-600	1720-60	1650/1651	1600-1		
3 months	1545-55	1610-20	1590/1530	1580-600	1530-5	5,843 lots

LME Closing £/$ rate: SPOT 1.5405 3 months 1.5273 6 months 1.5016 9 months 1.4866

POTATOES – BFE			£/tonne	
	Close	Previous	High/Low	
Nov	127.0	126.0	127.0	
Feb	165.2	165.2		
Apr	206.4	209.0	210.0	206.0

Turnover 286 (392) lots of 40 tonnes

SOYABEAN MEAL – BFE			£/tonne	
	Close	Previous	High/Low	
Oct	135.50		141.00	135.50
Dec	141.50	142.00	142.00	141.50

Turnover 33 (34) lots of 20 tonnes

FREIGHT FUTURES – BFE			$10/index point	
	Close	Previous	High/Low	
Sep	1467	1478	1475	
Oct	1546	1554	1550	1545
Jan	1587	1582	1590	1584
Apr	1613	1618	1612	1610
BFI	1429	1429		

Turnover 84 (90)

GRAINS – BFE			£/tonne	
Wheat	Close	Previous	High/Low	
Sep	104.65	104.55	104.75	104.65
Nov	107.85	108.10	108.00	107.30
Jan	111.70	111.85	111.70	111.35
Mar	114.55	114.75	114.40	114.25
May	117.30	117.55	117.30	117.05
Jun	119.00	119.30	119.30	118.95
Barley	Close	Previous	High/Low	
Sep	101.30	101.60	101.45	101.20
Nov	104.95	105.15	104.95	104.90
Jan	108.70	108.95	108.70	
Mar	111.55	111.75	111.50	
May	113.80	114.30	113.85	

Turnover: Wheat 210 (182), Barley 120 (27)
Turnover lots of 100 tonnes

PIGS – BFE			Cash Settlement p/kg	
	Close	Previous	High/Low	
Oct	122.5	122.0		
Nov	123.5	123.5	122.5	
Feb	115.5	115.0	115.5	

Turnover 94 (11) lots of 3,250 kg

LONDON BULLION MARKET		
Gold (fine oz)	$ price	£ equivalent
Close	358-358½	232½-233
Opening	358¼-358¾	231½-232
Morning fix	358.10	232.487
Afternoon fix	358.55	232.523
Day's high	359-358½	
Day's low	357½-358	

Coins	$ price	£ equivalent
Maple leaf	366-371	237½-240½
Britannia	366-371	237½-240½
US Eagle	366-371	237½-240½
Angel	368-373	239-242
Krugerrand	358-359	231-233
New Sov.	84½-85½	54¾-55½
Old Sov.	84½-85½	54¾-55½
Noble Plat	479.40-487.05	310.70-316.65

Silver fix	p/fine oz	US cts equiv
Spot	329.35	506.55
3 months	339.75	517.30
6 months	351.30	528.80
12 months	373.25	551.20

TRADED OPTIONS				
Coffee	Nov	Jan	Nov	Jan
750	71	103	25	45
800	42	77	46	69
850	23	56	77	98
Cocoa	Dec	Mar	Dec	Mar
750	78	74	14	46
800	47	51	33	73
850	25	36	61	106

Brent Crude	Oct	Nov	Oct	Nov
1650		98		20
1700		62		36
1750		38		

JUTE
C and f Dundee BTC $515, BWC $515, BTD $475, BWD $465. c and f Antwerp BTC $486, BWC $485, BWD $446, BTD $455.

COTTON
Liverpool- Spot and shipment sales for the week ended September 1 amounted to 236 tonnes against none in the previous week. Trading remained on the low side. Few dealings occurred and these were mainly in American, west African, Israeli and Chinese growths.

US MARKETS

IN THE METALS, gold and silver prices eased in slow trading due mostly to a strong U.S. Dollar, reports Drexel Burnham Lambert. Copper trading featured sideways action before closing down 190, basis December. *Higher L.M.E. stocks weighed on the* market. In the softs, heavy trade selling along with stop loss selling depressed cocoa prices, with the December contract *losing $75*, closing at 1063. Coffee prices also fell as *profittaking and sell stops weakened* the market. *Sugar trading was mixed.* The livestocks all closed lower as declining cash prices gave the futures their bearish tone. *October cattle fell* 107 points, the days largest loss in the meats. The energy complex was firm for most of the session as *lacklustre* trading continued. The grains were also quiet, except for a modest rally in wheat.

New York

GOLD 100 troy oz.; $/troy oz.				
	Close	Previous	High/Low	
Sep	359.9	360.6	360.0	360.0
Oct	361.4	362.4	362.0	360.6
Nov	363.3	364.3	0	0
Dec	365.1	366.1	366.9	364.0
Feb	368.9	369.9	369.4	368.0
Apr	372.9	373.9	372.6	372.5
Jun	377.0	378.0	377.1	376.3
Aug	380.9	381.9	380.0	380.0
Oct	385.0	385.9	0	0

PLATINUM 50 troy oz, $/troy oz.				
	Close	Previous	High/Low	
Sep	474.8	472.9	0	0
Oct	477.3	478.4	480.0	473.0
Nov	478.4	0	480.0	480.0
Jan	482.8	480.0	483.0	477.5
Apr	486.3	483.0	484.5	481.0
Jul	488.1	486.2	484.5	484.0
Oct	491.6	489.7	0	0

SILVER 5,000 troy oz, cents/troy oz.				
	Close	Previous	High/Low	
Sep	506.3	507.6	507.5	505.8
Oct	509.7	511.2	0	0
Nov	514.1	518.6	0	0
Dec	518.0	519.6	519.5	517.0
Jan	521.2	523.7	521.6	521.5
Mar	529.6	531.1	530.5	529.0
May	537.4	538.9	536.6	536.0
Jul	545.8	547.1	548.0	545.6
Sep	554.0	555.5	558.0	554.0
Dec	565.9	567.4	568.5	568.5

INDICES				
REUTERS (Base: September 18 1931 = 100)				
	Sept 1	Aug 31	mnth ago	yr ago
	1922.6	1918.5	1904.8	1873.7
DOW JONES (Base: Dec. 31 1974 = 100)				
Spot	129.95	129.80	127.94	133.45
Futures	130.88	131.34	129.57	137.88

COPPER 25,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Sep	128.30	129.70	130.50	127.70
Oct	127.40	128.40	0	0
Nov	125.70	127.40	0	0
Dec	124.50	126.40	127.90	123.80

CRUDE OIL (Light) 42,000 US galls $/barrel				
	Latest	Previous	High/Low	
Oct	19.01	18.85	19.09	18.94
Nov	18.81	18.72	18.90	18.76
Dec	18.70	18.61	18.78	18.66
Jan	18.59	18.50	18.64	18.57
Feb	18.50	18.42	18.54	18.50
Mar	18.46	18.37	18.50	18.45
Apr	18.43	18.32	18.48	18.42
May	18.40	18.29	18.40	18.40
Jul	18.31	18.22	18.33	18.31

HEATING OIL 42,000 US galls, cents/US galls				
	Latest	Previous	High/Low	
Oct	5440	5397	5445	5475
Nov	5500	5480	5510	5475
Dec	5545	5508	5550	5530
Jan	5500	5460	5515	5480
Feb	5425	5390	5435	5400
Mar	5260	5195	5260	5228
Apr	5070	5025	5030	5030
Jun	4870	4840	4870	4870
Jul	4860	4830	4860	4860

COCOA 10 tonnes; $/tonnes				
	Close	Previous	High/Low	
Sep	1046	1123	1085	1080
Dec	1063	1138	1110	1068
Mar	1070	1146	1112	1067
May	1086	1163	1122	1086
Sep	1124	1200	1165	1119
Jul	1104	1178	1138	1103
Dec	1148	1225	1165	1148

COFFEE "C" 37,500lbs; cents/lbs				
	Close	Previous	High/Low	
Sep	84.30	87.00	88.01	84.19
Dec	83.46	86.84	87.80	83.00
Mar	85.80	88.86	90.30	85.75
May	88.46	92.00	92.75	88.30
Jul	90.50	93.25	91.00	90.30
Sep	92.00	97.00	96.75	92.00
Dec	96.00	97.76	97.50	96.50

SUGAR WORLD "11" 112,000 lbs; cents/lbs.				
	Close	Previous	High/Low	
Oct	13.38	13.32	13.49	13.19
Jan	12.80	12.84	0	0
Mar	12.90	12.86	13.02	12.37
May	12.38	12.42	12.41	12.28
Jul	12.08	12.22	12.19	12.09
Oct	11.88	12.05	11.61	11.77

COTTON 50,000; cents/lbs				
	Close	Previous	High/Low	
Oct	73.10	72.08	73.30	72.60
Dec	73.98	72.98	74.25	72.80
Mar	75.08	74.17	75.30	74.58
May	75.80	75.08	76.15	75.00
Jul	75.90	75.10	76.30	75.10
Oct	70.85	70.60	71.10	70.65
Dec	68.05	67.80	68.25	67.60

ORANGE JUICE 15,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Sep	160.40	158.50	160.75	158.40
Nov	145.60	145.00	146.70	144.80
Jan	142.55	142.35	143.15	142.25
Mar	141.80	141.40	142.35	142.35
May	141.00	140.70	141.35	141.35
Jul	140.40	140.10	0	0
Sep	140.40	140.10	0	0
Nov	140.40	140.10	0	0

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel				
	Close	Previous	High/Low	
Sep	581/2	583/4	584/2	578/4
Nov	576/4	579/0	581/0	574/0
Jan	585/4	588/4	590/0	583/4
Mar	596/4	601/0	601/0	595/0
May	603/6	610/0	610/0	603/4
Jul	608/0	614/0	614/0	607/4
Aug	600/0	606/0	0	0

SOYABEAN OIL 60,000 lbs; cents/lb				
	Close	Previous	High/Low	
Sep	18.41	18.49	18.58	18.34
Oct	18.52	18.63	18.70	18.51
Dec	18.89	18.98	19.15	18.86
Jan	19.24	19.30	19.38	19.23
Mar	19.80	19.87	19.92	19.80
May	20.00	20.00	20.18	20.00
Jul	20.32	20.35	20.45	20.30
Aug	20.26	20.12	20.50	20.26
Sep	20.26	20.27	20.30	20.26

SOYABEAN MEAL 100 tons; $/ton				
	Close	Previous	High/Low	
Sep	183.7	183.8	184.5	182.2
Oct	184.4	185.6	185.7	184.2
Dec	182.9	183.2	185.5	181.3
Jan	182.5	183.1	183.5	181.5
Mar	182.8	182.4	183.5	181.8
May	182.5	183.5	182.5	181.0
Jul	181.7	182.5	182.5	181.0
Aug	182.3	183.0	182.0	182.5

MAIZE 5,000 bu min; cents/56lb bushel				
	Close	Previous	High/Low	
Sep	232/2	232/6	233/0	231/4
Dec	233/2	234/2	234/2	232/4
Mar	240/6	241/6	241/6	240/0
May	246/2	247/4	246/6	245/6
Jul	246/6	248/2	248/0	246/0
Sep	241/4	243/4	242/0	241/4

WHEAT 5,000 bu min; cents/60lb-bushel				
	Close	Previous	High/Low	
Sep	397/2	393/4	397/4	391/4
Dec	407/4	403/2	408/0	401/6
Mar	409/4	405/4	409/4	402/4
May	389/0	387/2	389/4	386/0
Jul	360/4	362/4	360/0	358/0
Sep	368/4	369/2	369/2	367/4

LIVE CATTLE 40,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Sep	69.30	70.60	70.40	69.30
Oct	72.28	72.38	72.90	72.12
Dec	72.85	73.17	72.90	72.12
Feb	72.37	72.87	72.47	71.85
Apr	73.60	73.85	73.80	73.30
Jun	71.62	71.90	71.75	71.30
Aug	69.90	70.36	70.00	69.90

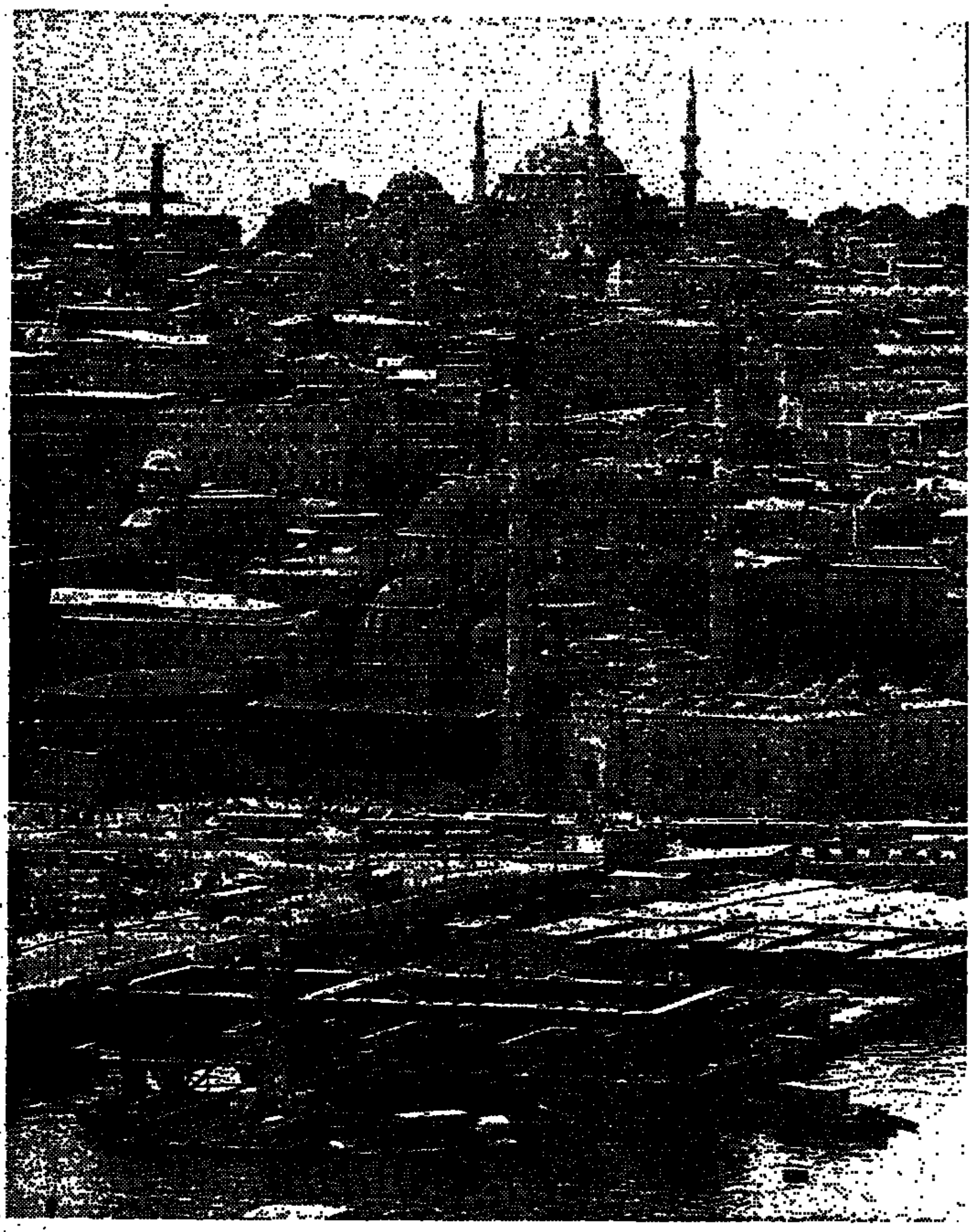
LIVE HOGS 30,000 lb; cents/lbs				
	Close	Previous	High/Low	
Oct	38.27	40.15	39.75	38.22
Dec	41.07	41.38	41.80	40.92
Feb	42.70	43.52	43.15	42.62
Apr	40.40	40.96	41.20	40.30
Jun	45.50	45.72	45.90	45.30
Jul	45.85	46.00	46.50	45.75
Aug	44.73	44.72	44.70	44.20

PORK BELLIES 40,000 lbs; cents/lb				
	Close	Previous	High/Low	
Feb	43.37	44.37	43.87	43.07
Mar	42.60	44.27	44.00	43.30
May	44.10	45.70	45.10	44.55
Jul	45.60	46.26	46.80	45.80
Aug	44.90	45.80	45.40	44.90

FINANCIAL TIMES SURVEY

Though not Turkey's capital, Istanbul is the country's gateway to the outside world. The city has recently come under new administration following the increasing unpopularity, nationally, of the ruling party. **Jim Bodgener** looks at these latest developments

Hub of finance and culture



The new Galata Bridge under construction over the Golden Horn

Istanbul

ISTANBUL HAS not been Turkey's capital since 1923. But it remains the country's chief city, its supremacy as much undisputed in academic life and the arts, as in business and industry.

Its role in Turkey's economic life is difficult to overstate. With the surrounding Marmara region, Istanbul is Turkey's most industrialised region producing more than half its GDP.

All the chief Turkish industrial groups are Istanbul-based, even if – like Koç, the largest Turkish conglomerate, they started life in other cities. Istanbul's taxpayers are responsible for about 60 per cent of income received by the finance ministry.

Fashions, innovations, and experiments all take place in Istanbul, and spread slowly to the Anatolian hinterland. This is partly because the city is also Turkey's gateway to the outside world in general and Europe in particular. Istanbul has been a great European trade city for centuries and today it is the Turkish city where support for membership of the European Community is strongest.

Istanbul has seen many changes over nearly two millennia as the capital of the Byzantine and Ottoman empires, and in the twentieth century as the commercial and financial hub of the Turkish republic.

Last March there was yet another, when what was thought to be an impregnable bastion for the ruling Motherland Party (ANAP) fell in local elections to the main opposition Social Democratic Populist Party and Professor Nurettin Sözen, its mayoral candidate.

It was part of a country-wide debacle for the ANAP and one that Mr Turgut Ozal, the Prime Minister, has not been able to shake off, as shown by the depths to which the ANAP has sunk in opinion polls. That Izmir and Ankara fell to the Social Democrats was no surprise, but Istanbul under the redoubtable Mr Bedrettin Dalan was considered a safe ANAP bet.

Though he ran the city somewhat as a personal fief, his bulldozing rule, characterised by a welter of infrastructure construction, was one of benevolent autocracy in the peculiarly Turkish mould cast by the great nationalist and founder of the republic, Mustafa Kemal Ataturk. It was nationwide rejection of the Government for failing to curb rampant inflation that proved his downfall, not personal unpopularity.

He says ruefully: "I may have lost the elections," then the lustre creeps back into his startlingly blue eyes, "but I still have the love of the people of Istanbul."

Thus it was a blinking Social Democratic Populist Party administration, hardly able to believe the windfall in its lap, that took over at the municipality's offices by Emperor Valen's viaduct, a reminder of other great periods of public works.

In some quarters, particularly business and commerce, and the foreign community, disillusionment is fast creeping in, with charges that all Professor Sözen and his acolytes have done is try to besmirch Mr Dalan's reputation. But it is only natural, following such a daunting figure as Mr Dalan, that the new administration has tried to dispel his aura of invincibility by cutting him down to size.

It has yet to come up with any concrete proof from investigations into his alleged misrule. Says Professor Sözen: "People should know about what happened in the past, so they can see what we are doing." Mr Dalan responds: "What I understand from all these questions is that the best they can do is to say bad things about the previous mayoralty. History will erase those who do not make any contribution to progress."

One of Mr Dalan's most vaunted claims was to have cleaned up Istanbul's famous Golden Horn inlet, for years heavily polluted and with filthy, ramshackle workshops on its shores. But Mr Ergun Göknel, the new director of the Istanbul Water and Sewerage Administration, appointed after the local elections, rubbishes even this. He says waste is still flowing into the inlet through 18 channels and adds that when the Social Democrats took over they found contractors protesting that non-payment had stopped work on the World Bank-funded Greater Istanbul Sewerage Scheme. Now it has been restarted.

"There is sedimentation at the bottom of the Golden Horn – with this you can't get it clean, at least not as clean as Mr Dalan's blue eyes," says Mr Göknel, disparaging the one of the latter's more Munchausen-like boasts.

There is no denying that Istanbul at least half worked under Mr Dalan, and that great strides were made in easing chronic traffic congestion. But for all the play made of the internationalisation of the city under the ANAP, and the attempt to turn it into a replacement Beirut, the new skyscrapers, bank plaques, hotels and affluent shop windows in the city centre only mask the real underlying transformation since the Second World War - the invasion by Anatolia.

In the magnificent collection of Turkey's most extrovert tycoon, Mr Sakip Sabanci, at his mansion on the Bosporus, one picture depicts a sunlit central Taksim square in the 1930s, with two damsels in the foreground in thin summer dresses under parasols. It could have been anywhere in Central Europe then. Now the two might seem slightly incongruous in the square, to say the least, and would probably be put down as mad *yabancis* (foreigners - tourists).

Mr Sabanci is himself from Adana in the Cukurova plains of the south-east, the archetype of a new aggressive breed of businessman which has displaced many of the older families from the pinnacles of the city's commerce and industry. Even today there is a discernible gulf in high society between the parvenus and the older denizens, some from Greek, Levantine and Ladino (Spanish Jewish) families spanning centuries of cultured living in Istanbul.

Similarly, whereas Taksim and Beyōglu running behind it down to the Golden Horn once were refined amusement areas and suburbs, now there are red lights fronting crumbling streets of shabby tenements.

But the gulf is wider still with the poorest arrivals. In the two decades from the 1950s Istanbul, in common with other large Turkish cities, was subjected to an onslaught of rural migration with its attendant phenomenon of *gecekondu* (built-at-night) squatter barrios encircling the outskirts. It is estimated that at least 60 per cent of the population of six million to eight million people are *gecekondu* dwellers, often self-segregated into little communities based on common origins in central Anatolia.

The integration of the urban poor into the city is one of the greatest challenges facing any mayoralty – although the fashion now for the newly consumerist middle-classes is to move from cramped apartments to privately developed satellite dormitory towns mushrooming further out.

The Social Democrats also have their large infrastructure projects – including a new spinal metro crossing the Bosporus by tube – at a combined cost of about $1,500 million – although these may be choked at birth by the mood of austerity in Ankara affecting new project borrowing anywhere in Turkey.

Mr Dalan was fortunate that his taking power in 1984 coincided with the redirection straight into the municipality's coffers of property taxes that previously were collected by the central government. In addition the thresholds were vastly increased. Mr Dalan also took office when the new Government of Mr Ozal was capitalising on Turkey's returning international creditworthiness by borrowing project credits from every direction. Mr Dalan was given almost free rein.

Now the new SHP municipalities are clamouring that the Government is trying to strangle them of funds. Istanbul municipality can still pay its international debts and has no intention of defaulting, however, as wrongly reported in the press recently. Its total external debt stands at around $1bn.

"We are not interested in borrowing money to pay our debts," says a senior financial adviser to the mayor. The municipality wants credits rather to finance additional services and projects, he adds.

While Mr Dalan sought acclaim for civic development, Professor Sözen's team has a more direct method to the people's hearts and minds. Its programme during the local elections had the slogan "Man Comes First" and included free services and food for the poor and needy, free health and welfare services including helicopter ambulances and neighbourhood heliports, not to mention environmental and consumer protection.

All this may seem quaintly Victorian, but to low-paid bureaucrat families scraping to make ends meet to feed babies and infants, free milk, bread and water are a substantial and unforgettable boon.

Five months into its five-year term Professor Sözen's mayoralty, however amateurish it might appear now, should definitely not be written off.

Professor Nurettin Sözen, Istanbul's new mayor

CONTENTS

Photography: Terry Kirk

Thomas Goltz on Istanbul's history

The bazaar at the East-West crossroads

SINCE THE days of the great camel caravans Istanbul has been a favoured destination for travellers and traders. Although the style of clothes and the modes of carriage and doing business may have changed throughout the centuries, the city remains at heart what it has always been: the big bazaar at the crossroads between East and West.

First established as the town of Byzans by Megarian Greeks in 658BC on the European shores of the Bosporus, Istanbul only came into its own as a commercial centre after it was selected by Constantine the Great as the site for his New Rome in 324AD. While London and Paris were mere garrison towns and New York a barren island, Constantinople had a population of over one million and a market so fabulous that early travellers, merchants and mercenaries stood in silent awe at the vast assortment of goods on offer.

As Gibbon tells us: "Whatever rude commodities were collected in the forests of Germany and Scythia, whatsoever was manufactured by the skill of Europe or Asia, the gems and spices of farthest India and the corn of Egypt were brought by the varying winds into the port of Constantinople which, for many ages, attracted the commerce of the ancient world."

Strangely, perhaps, for a world accustomed to contemporary Greeks with a golden commercial touch, Constantinople's economy was dominated by foreigners like Venetians and Genoese, who were exempted from the crushing duties imposed on native merchants. The former went so far as to collaborate with the Frankish Crusaders in their wanton sack of the city in 1201, after which the latter, as a reward for restoring the royal Byzantine house, were granted a half share in exclusive trading rights throughout the empire.

The Galata tower overlooking the Golden Horn is a testimony to the political and military power of the Genoese merchant class.

But it was left to the Turks to expand the city into a prime commercial entrepôt for the Mediterranean and the Near East. They were no strangers to trade and were untrammelled with religious sensibilities. Prior to their conquest of the city in 1453 they had proved themselves masters of the distinctive bazaar compounds that distinguish oriental from occidental cities.

The covered bazaar areas of the first two Ottoman capitals, Bursa and Edirne, were smaller in scale but still in many ways a prelude to the throbbing mercantile centre built on ruins of the Byzantine precursor in Istanbul. The Ottoman city, the centre of an imperial economy stretching from the Yemen to Hungary, and the borders of Iran to Algeria, soon became one of the wealthiest and most diversified markets anywhere in the world, all concentrated in the myriad arcades and alleys of the Grand Bazaar.

By the 1950s the once vital hub of commercial activity in Istanbul had been reduced to a poor shadow of its former self, ravaged by fire

Either via overland caravans from Tashkent, and other points in Central Asia, or laden on vessels coming from the Crimea or Egypt, goods would find their way to the scores of urban warehouses which also served as merchants' inns, lining the main avenues between the bazaar area itself and the dock area around today's Spice Bazaar.

From these wholesale centres goods would next be transported by an exclusive guild of porters to the 5,000 retail outlets in the bazaar proper. The shops were generically arranged according to product, and even today the narrow lanes and culs-de-sac of the bazaar area carry the names of the guilds that once exercised monopoly rights along them.

The practice of grouping all rival merchants and retailers down one lane was allegedly aimed at facilitating easy grading of wares, but the modern eye suspects that the underlying reason was a price cartel – a curiousity in the bazaar, where haggling and bargaining is said to be a way of life!

In many ways the commercial history of Istanbul – and indeed, Turkey – is reflected in the history of the bazaar. As the Ottoman Empire slowly but surely lost outreach territory to the rising powers of Europe, and then to nationalism, the political turmoil fed through into the commercial realm. The decay of empire let in the outposts of nascent Western multinational capital in a new merchant class dominated by resident foreigners or local minorities rising to prominence again in Pera – or Beyoglu – across the Golden Horn.

At the end of the Great War, when the empire finally subsided with the flight of the last sultan, Mehmet VI, on a British warship, the bazaar had been reduced to a paltry selection of shoddy, imported trade goods sold at inflated prices. The great warehouses stood empty or converted into sweatshops.

The transfer of the political capital to Ankara, and the policy of etatism, or internally generated growth orchestrated by the state, adumbrated by the young Turkish republic under the great nationalist leader Mustafa Kemal Ataturk, was a further blow to the privateering initiative of the bazaar.

By the 1960s the once vital hub of commercial activity in Istanbul had been reduced to a poor shadow of its former self, ravaged by fire.

Today, happily, the new spirit of commercialism and outward orientation reflects itself in Istanbul and the bazaar area, now a tourist's shopping paradise. Rents in the refurbished and renovated bazaar are at an all-time high – even though much of the goods sold are curios without any practical application.

But, outside, the old days of travelling merchants live on in the shadow of the Beyazit Mosque. This time it is not Turkmen traders from Tashkent with their dromedaries, or Yemenis with their camels, but hundreds of Poles carrying their native goods packed atop their Russian-built Lada cars in a mushrooming of Eastern Bloc petit bourgeois, private enterprise.

Here, on the fringes of the historic market, and true to its spirit, the modern merchants sell high and buy cheap, before their latter-day caravans return home with the best the bazaar can offer.

The Galata tower, above, overlooking the Golden Horn, is a testimony to the political and military power of the Genoese merchant class

TRADE

Pinch felt as sales fall

ALL THE big export houses have their headquarters in Istanbul, where Turkey has its best contacts with global business. According to an informed estimate 90 per cent of the country's export transactions are conducted from Istanbul.

The trading houses made lucrative profits on the back of the government's export drive early in the 1980s, as exports climbed steadily.

The 21 big export concerns eligible on the basis of earnings of \$100m or more for the coveted label of "foreign trade corporate company" (FTCC) were initially given additional incentives to encourage them to develop on the model of the trading houses which were behind the commercial and industrial revolutions in Japan and South Korea. The FTCCs were able to share these incentives with smaller companies exporting through them in the so-called "by-pass system". A 2 per cent premium to help the FTCCs retain their by-pass business is not enough, they say.

They are feeling the pinch as overseas sales fall – exports fell 14.9 per cent to \$702m in May, compared with the same month a year previously. Even textiles, the main engine of exports, is flagging.

The FTCCs saw a 9.1 per cent fall in their total sales to \$1.3bn in the first quarter of this year compared with January-March 1988. The traders complain bitterly that the government has abandoned them when current account surpluses mean that it no longer needs their hard currency earnings for debt servicing.

It has failed to compensate them adequately for a decline in the rate of depreciation of the Turkish lira this year – sterling, for example, has barely marked time. On the other hand, to comply with GATT subsidy code obligations, the government finally phased out the prop of export tax rebate incentives in April. The export credits offered by the fledgling Eximbank are a poor substitute. Even Eximbank officials admit that the subsidy element of the export credits can hardly make up for the lost direct grant of the tax rebates.

One large concern, Suzer Holding, is diversifying away from trading into property. Last year its trading arm notched up an export turnover of \$220m. Mr Mustafa Suzer, the president, predicts gloomily that this year it will probably decline to only between \$80m and \$100m.

There are some bright spots on the horizon for the traders, however, for example the blossoming market in the Soviet Union, which is slowly extending beyond the confines of a gas barter deal.

'We've spent more trying to win orders in the Soviet Union than we've earned'

Turkey's leading trading house, Ram dis Ticaret, last month signed a \$40m order to supply 25,000 tonnes of the total exportable surplus of Turkish tea on straight 90-day letter of credit terms – not to mention a transaction for 125 million razor blades valued at \$3.7m – ironically, contamination by the fall-out from the Chernobyl nuclear disaster two years ago led to the decision to destroy the whole of the 1986/87 tea crop along the Black Sea.

Others are not so sanguine about the Soviet Union. According to one proprietor: "We spent more money in the last five years in trying to win orders in the Soviet Union than we earned. It's a big market, but they simply don't have enough foreign exchange."

The tribulations of exporters may soon be eased, however – the Government may be forced to step in with a mini-devaluation in the autumn to halt the exports slide.

Ominously, the current account was back in the red again by \$9m in the first five months of the year – after a brief heady spell following the bumper \$1,500m surplus achieved in 1988.

Jim Bodgener

Textile manufacturing remains an important activity, though the trend is towards the service industries

INDUSTRY

Move out of city centre

DRIVE IN from the airport along the coastal road past the district of Kazlicesme (The Fountain with the Goose) and the stink from the leather tanning vats and curing racks in ramshackle timbered buildings assails the nostrils - not a pleasant introduction to the ancient metropolis.

The fountain has survived since the time of the fifteenth century Mehmet, the conqueror of old Constantinople, but its name now seems incongruous against the Dickensian squalor of its surroundings.

The municipality is steadily bringing pressure to bear on the leather factories to move down the road to Tuzla. According to Mr Ismail Ozarslan, secretary general of the Istanbul Chamber of Commerce, this is part of a general trend in Istanbul away from industry towards trade, finance and services, especially tourism.

Industry still accounts for about a third of Istanbul's contribution to Turkey's gross domestic product. Apart from textiles, other important manufacturing activities are automotive assembly lines, white goods and pharmaceuticals.

Industrial concentration within the city limits was seriously damaging the environment, to the extent that pollution had become a serious health hazard. The situation in Kazlicesme was much worse two or three years ago, with muck everywhere and noxious fumes swirling from under manhole covers in the streets.

The clogging of the city's arteries has persuaded industrialists to move out. In the textile sector clothing manufacture in small sweatshops now predominates, according to Mr Halil Bezmen, general manager of Mensucat Santral.

"The real textile manufacturers are getting out," he says. The largest concentration of sweatshops is in Merter, with others in places like Besyzevler and Sisli. The sweatshops are not subject to government regulation, and many do not pay tax – but at least they present little threat of pollution.

The big textile factories have moved out to Cerkezkoy in Thrace – Mensucat Santral still has a readywear operation in Kazlicesme, but its big mill is even further out of town, at Edirne close to the Bulgarian border. "My opinion is that in about two years time the government will find a way of offering us high incentives really to move out, to the underdeveloped east of Turkey," says Mr Bezmen.

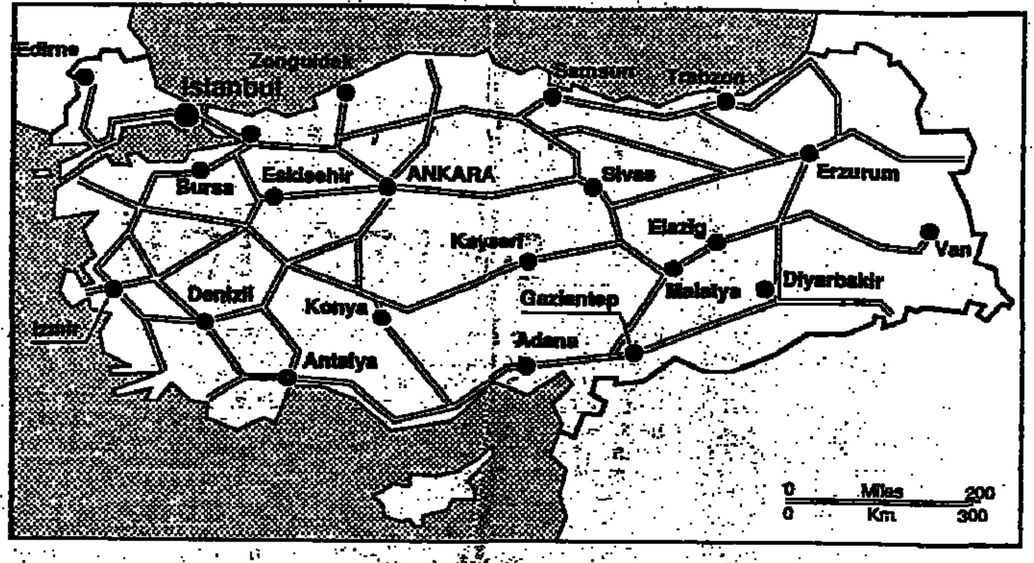
Further investment in industry in Istanbul has been discouraged by the lack of government incentives. For these, Turkey is divided into three areas. The two provinces of Istanbul and neighbouring Kocaeli and its principal city of Izmir, plus the cities of Ankara, Adana, Izmir and Bursa, are considered saturated by the State Planning Organisation. The east and south-east of Anatolia are priority incentive areas. The remainder of Turkey qualifies for normal investment incentives.

Istanbul accounted for 60 per cent of the inflow of foreign investment into Turkey in 1988 – and is expected to account for the same if not a larger share of expected inflows of \$500m this year – but the money was mainly directed towards trade and finance.

Without incentives, and squeezed by borrowing costs and high inflation, Istanbul's industry is dubious about the supposed merits to be gained from recent import liberalisation – especially sectors supplying the domestic market. The automotive sector is particularly concerned, having long been protected behind high tariff walls. Other consumer durable manufacturers have similar anxieties.

But a seasoned foreign banker has seen it all before in other countries going through the same sort of development – like Japan in the early 1960s, followed by Taiwan and South Korea. "Industry is going through a period of reassessment," he says. "The glory days are over. They have to come up with ways to be more competitive, and deliver on quality."

Jim Bodgener



The Grand Bazaar

Istanbul stock exchange: relaunched in early 1986 after a moribund existence since the Ottoman Empire

Will this year's moderate bull market remain durable?

Slow move out of the doldrums

THE ISTANBUL Stock Exchange has always been the Cinderella of the government's plans to revitalise and deepen the country's savings base through reform of the capital markets. It was relaunched amid much fanfare in early 1986 after a moribund existence since the Ottoman Empire – when it had the most thriving and exotic dealing floor in the Mediterranean basin.

However, the lack of a strong institutional hand like pension funds, and the overriding priority of election economics – accompanied by high inflation and interest rates – brought about a mini-crash on the exchange by autumn 1987.

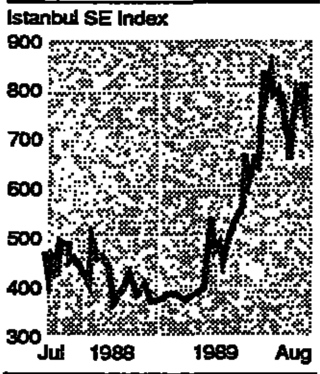
With shares at half their book value, the exchange languished in the doldrums throughout 1988, surpassed by better returns from deposits, foreign exchange, government securities – and mutual funds, of which there are about 30, originally encouraged with incentives as an interim stage to stocks and shares, but which have preferred money market operations in short-term commercial and government securities.

Apart from the mutual funds, the depressant factors in reverse have been to the exchange's advantage in 1989, such are the topsy-turvy vagaries of the Turkish economy. Now the main question is whether a moderate bull market in the first half of 1989 will prove durable in the second – and whether, in the long term, more of Turkey's family ownership of industry can be persuaded to release more jealously-guarded equity.

According to Mr Muharrem Karsli, the exchange president, only one-twentieth of the estimated 25 per cent ownership by leading families of industry surfaces on the exchange.

Turkey

Istanbul SE Index



The capitalisation of the exchange's main market is about TL4 trillion (million million), comprising about 50 blue-chip companies. About 25 companies are traded in a secondary market. Yet in the exchange's listing are about 750 companies, shares in the bulk of which are traded only perhaps once a year. "There is a potential supply in the market," Mr Karsli says modestly.

With the current squeeze on credit many might prefer to pay dividends to relieve bank debt pressure by going public. "If prices were twice as much as they are today, most would be satisfied," he believes. Mr Sedat Atki, manager of broker Yatirim Finansman, says even with depressed prices investors want to take advantage of free issues with capital increases.

In late July the rally wavered in the face of gloomy economic statistics and a threatened flood of attractively priced treasury bonds to soak up over-liquidity from handouts to discontented bureaucrats, farmers and workers to compensate them for inflation. It then stabilised and swung back in August on the strength of government assurances, together with the unveiling of moves to make the lira more freely convertible, including throwing open cross border movements of funds in and out of international and domestic securities.

The index had recovered to 793 on August 15, after slumping a fortnight previously to 658 – despite the 10 per cent differential between treasury bond and deposit returns.

The Ankara-based watchdog Capital Markets Board wants to do as much as possible to encourage the rally, says Mr Sukru Tekbas, its chairman. Already mutual funds have been stripped of their incentives, while draft legislation before parliament includes the introduction of secondary bond trading and rating agencies. Many of the companies quoted on the exchange are not independently audited to international standards.

"It is not a deep market at present, but if foreign institutional investors come, like pension funds, prices might go up," says Mr Karsli hopefully.

Jim Bodgener

BANKING

Problem of over-liquidity

ISTANBUL'S planned metamorphosis into a leading regional and international centre, taking over from strife-torn Beirut, quickly gathered pace in the early 1980s with the arrival of foreign banks.

With their greater expertise and freedom of manoeuvre they blazed the trail into foreign exchange for previously hidebound Turkish institutions. Naturally they also made lucrative profits on the way, on the back of the export drive spearheading the government's structural adjustment programme.

Now foreign banks make up about one third of about 60 institutions in the banking sector. Small specialised boutique and wholesale banks have followed their example, and the big retail institutions are well into the act too.

Not surprisingly, in some key sectors – including trade financing – Istanbul is over-banked. About one-third of banking output in Turkey is generated in Istanbul. Of the 58 institutions throughout the country in 1988, 44 had their headquarters there.

Mr Husnu Ozyegin, head of Finansbank, says the city is top-heavy in terms of trade finance products and corporate banking. On the other hand, it is under-banked in terms of treasury products, asset swaps, financial advisory groups and, in the retail sector, advanced teller machines and consumer credit, he adds.

It is also over-banked because branches are too concentrated in the centre instead of covering population movements towards the outskirts. "The big banks ought to have more dynamic branch strategies," says Mr Ozyegin.

Being over-banked has compounded what is turning out to be a tough year all round for the banking sector, compared with a generally good year in 1988. More than half the domestic institutions returned losses in the first half of the year, while foreign and specialised banks struggled to make ends meet with squeezed margins from foreign exchange transactions.

Over-liquidity is the main problem. "I've been in Turkish banking for 15 years, and have never seen a market this liquid both in terms of Turkish lira and dollars," says one banker. With current account surpluses continuing into 1989 from the record $1.5 bn surplus notched up in 1988, foreign exchange is easy to come by and the central bank's reserves have never been stronger.

The result has been a sharp brake on the lira's depreciation against most hard currencies. Fierce competition has substantially reduced fees – for example, from 1½ per cent to 2 per cent six months ago for letters of credit to about ½ per cent now. And the apparent petering out in the growth of exports threatens diminishing business in the future. Imports, too, have slowed with the economy's contraction from lack of demand.

Mr Dick Arsenault, head of Koc-American Bank, a joint venture between the Koc Group and American Express, says banks have not necessarily slowed down growth, "but they're playing a more conservative game". Foreign banks obtaining funds from the interbank market are now at a disadvantage with the large domestic retail institutions, lacking the extensive branch networks enabling the latter to shop around for the cheapest rates.

No longer can foreign banks finance themselves from depreciation on overnight interbank rates, now outstripped by high inflation. This year foreign institutions in their main market of trade financing have faced higher interest costs, shrinking yields on assets, contracting commissions and fees, and, last but not least, higher staff remuneration in a competitive employment market.

The foreign institutions urgently need to discover other niches in the market. "Trade finance is not everything, they could do other things here," says Mr Ozyegin. One possibility is forfaiting, another asset swapping. "Why should two Turkish institutions do this through a London bank when they could perfectly well make the deal here?" he asks.

At the same time, the large domestic institutions have been floundering in over-liquidity contracted last autumn when interest rates on long-term deposits were freed. Doomsayers predict turmoil when high one-year deposits taken out at peak 85 per cent rates of interest mature in October, although the median line is that most of the money will be recycled into the banking system anyway.

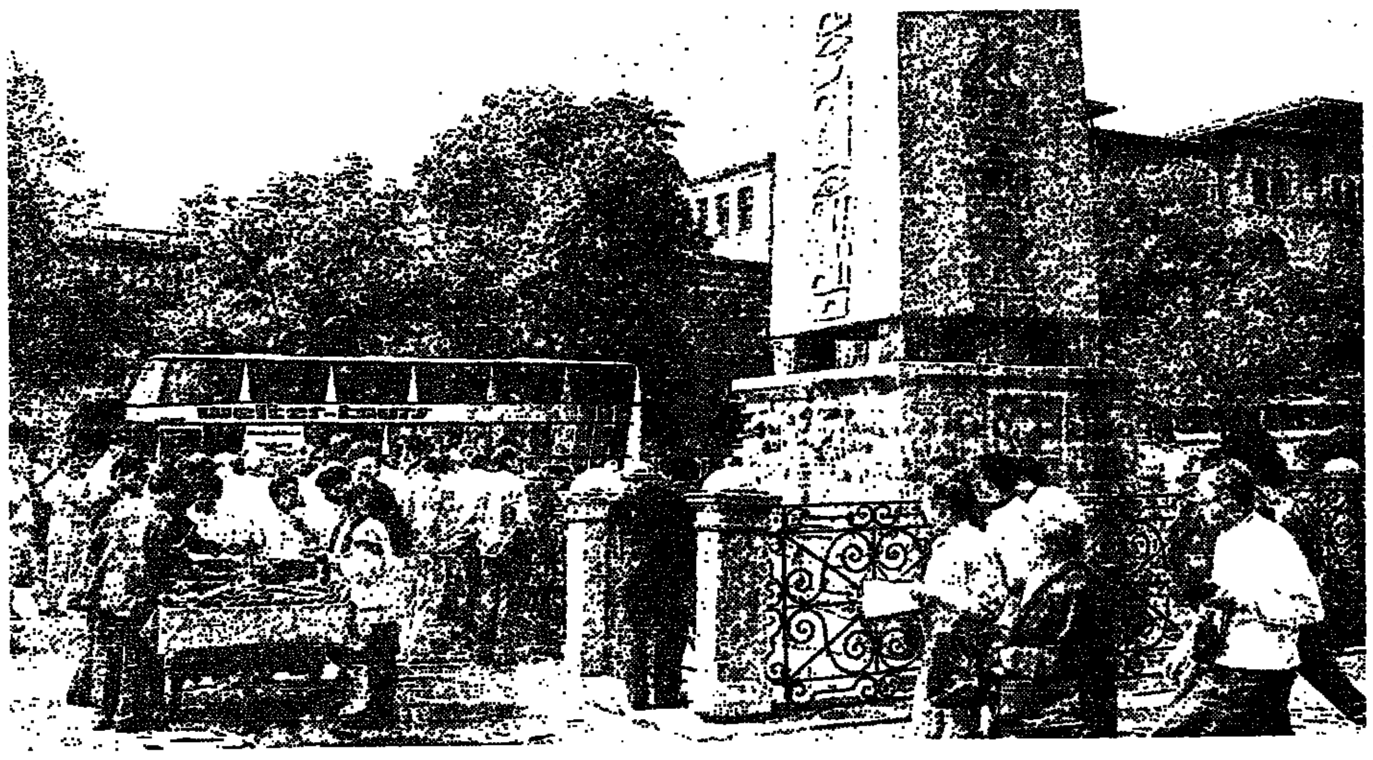
But the large domestic banks have had to struggle with the higher cost of funds, arising out of the differential between the high autumn rates and the gradual decline in premiums since then. With high inflation rendering most corporate lending a bad risk, banks have been at a loss over how to drain off the liquidity, apart from government securities. One fast-developing avenue is consumer credit, in pilot joint offerings by several large banks with industry.

Being over-banked compounds what is turning out to be a tough year all round, compared with a generally good year in 1988

Concomitant with the over-liquidity has been a reduction in capital adequacy, at a time when, under World Bank pressure, the treasury plans to tighten up in line with the Cooke report in the EC – though this may be diluted under strong protests from the private sector that European standards are not yet applicable in Turkey. Mr Attilla Basdemir, general manager of Disbank, says: "First of all, Turkish banks need to increase their capital in order to be able to develop."

An encouraging trend is the recognition by large retail institutions that market share is less important than, though interconnected with, profitability. Despite rising rates with the recent turn-around in inflation, a mad free-for-all has not re-emerged. This signifies a fundamental sea change from the days when Turkish banks saw their primary function as siphoning as much money as possible off depositors through a plethora of branches to be lent to industry from a few outlets.

Jim Bodgener



Tourists at the Sultan Ahmet Square

TOURISM

Red tape ties up building

ISTANBUL IS the pivot of Turkey's fast-expanding tourist industry – few visitors fail to visit the capital, either on the inward or outward leg of their holidays.

According to Mr Besim Tibuk, chairman of diversified tourism group Net Holding, the ancient metropolis accounts for about half of tourism revenues.

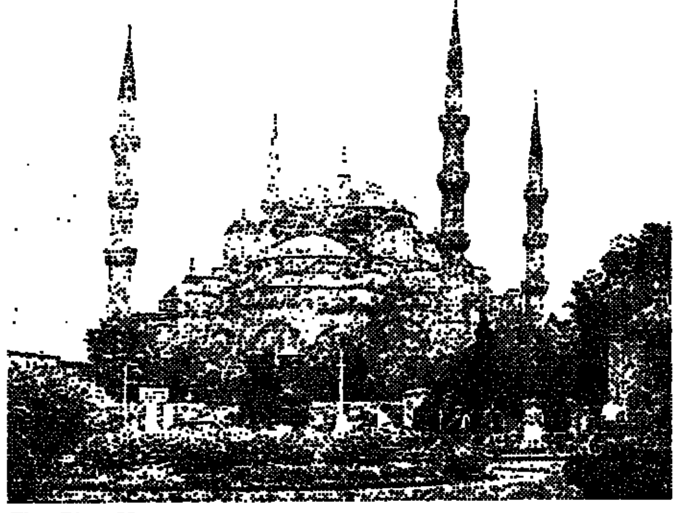
One third of foreign arrivals enter the country through Istanbul, but there is a lack of accommodation. Compared with about 100,000 beds in prime tourism regions along the Aegean and Mediterranean, Istanbul has only 20,000 licenced tourism beds, Mr Tibuk points out.

The shortage is most acute in Istanbul at the five star end of the market – in contrast to the rest of the country, where a plethora of luxury accommodation has outpaced demand to the extent that anxious hoteliers this season offered half-price holidays in the national press.

Mr Norbert Spichtinger, manager of the Istanbul Hilton, says business traffic, such as incentive, annual general meeting and convention bookings, has had to be turned away.

All developers agree on the need for a proper convention centre if Istanbul is to attract this kind of business. The Ataturk Cultural Centre in Taksim Square, and the Hilton's own conference and exhibition centre, are simply not adequate to host today's scale of events.

Despite this, however, the 53 fairs held by different organisations in Istanbul during 1988, and the expected 63 this year, indicate the popularity of the city as a venue.



The Blue Mosque

The Hilton and the Sheraton are still the city's premier establishments, with 950 rooms between them, followed by the Pullman-Etap Marmara, all in the central Taksim area. "We had the opportunity this year of a Europe IBM meeting," says Mr Spichtinger. "But during the prime March-November season, we couldn't get 100-200 rooms all at once."

That was despite an informal overflow sharing agreement between the Hilton and Sheraton. Even if there were room for large parties, the premier hotels could still hold out for individual bookings at published rather than discounted group rates. Despite a slowing down in the rate of increase, room bookings at the Hilton are still 10 per cent up on last year. With the Sheraton, the Hilton did take on a meeting of the Young Presidents' Organisation (YPO) – but only at full rates. "That wouldn't happen anywhere else," says Mr Spichtinger.

Some guests are astounded at the rates charged by the Hilton and the Sheraton. On an average as opposed to full rate basis (accounting for discounts and so on), however, the Hilton came out at around $123 a night with an occupancy rate of 85 per cent during the first six months of the year. This compares favourably with cities like Tel Aviv, Rome, Milan and Munich, and is behind the UK average of $135 in June – the going rate at the London Park Lane Hilton is $254 a night.

The tight situation will be eased in the next couple of years by the construction of a 511-room Swissotel with Japanese finance, and the completion of a protracted project to convert the old Ciragan palace down by the Bosporus into an 820-room hotel complex – to be managed by Kampinsky Hotels.

Hilton too is building a 130-room extension, the Park Hotel, developed by the Sabanci group across the valley from the main hotel. When all these are completed the number of five-star rooms will be roughly doubled.

But, according to Mr Spichtinger, few of the other big five-star projects – about 20 in all – look likely to get off the ground in the near future because of problems with both central and local government red tape. Everything down to the minutest detail has to be ready and approved before construction can start, he says.

Even after planning approval is wrung from the authorities the municipality gets in the way, like restricting site access to ready-mix lorries to two or three hours in the evenings. The Ciragan complex – there have also been difficulties and changes between its partners – will have taken six years to build on completion next year.

"It has taken three years to get the Swissotel under construction, due to nothing else but red tape," says Mr Asat Guneri, head of Zihni Holding, the Turkish minority partner in the project. He claims it represents the first substantial investment from Japan – supposedly eagerly sought by the government. A total of $36m has been put towards the project by Nippon Fire & Marine, Tokyo Urban Development Corporation and Nissho Iwai Constructor. Another Japanese company, Hazama Gumi, is also a partner. Completion is expected at the end of 1990.

Strong opposition has been put up by the municipality to a project for a Marriott hotel surmounted by a 27-floor tower of offices at a total cost of $80m. Mr Mustafa Suzer of Suzer Holding, the Turkish developer, says this will now go ahead after a legal battle. His competitors are not so sanguine.

According to Mr Suzer, the government recently took the issue out of the municipality's hands with a decree that permission for such developments in tourism-designated areas rested with the public works and housing ministry.

The mayor, Prof Nurettin Sozen, says the municipality will respect five-star developments under construction, but will consider future applications in the light of the city's environmental and infrastructure requirements. There was a distinct lack of proper planning control by the previous administration of Mr Bedrettin Dalan, he adds.

Beneath the five star end of the market there is a range of two to four star hotels – an example is the Riva, just off Taksim – catering to both tourists and itinerant businessmen. However, there is a shortage of three and four-star establishments, according to Mr Spichtinger, who says the present accommodation hardly compares with say, provincial Holiday Inns in the UK. That is a moot point. In the Riva, for example, service is reasonably friendly and efficient, if sometimes inexpert.

According to Mr Besim, still more five-star establishments are needed, "The trend in the world is now towards luxury establishments," he says. "Turkey's tourism strategy should be geared towards the middle and upper income bracket of tourist and business visitors."

Despite the red tape, everyone, it seems, still wants to believe in the burgeoning market in Istanbul.

Jim Bodgener

Amberin Zaman provides a guide for the business traveller

Taxis take solid nerves

Most business visitors will be surprised to discover on arriving in Istanbul that the erstwhile Ottoman capital offers a first class range of services.

Good communications, including direct dialling, telex and facsimile, are among the standard services offered by most five and four star hotels. Car rentals (Avis, Europcar, Hertz), limousine services, escort services and even helicopters (Sancak Air) are available to the international business traveller.

TRAVEL

Istanbul's Ataturk Airport is an international class airport. It is connected directly with most European, North American and Middle Eastern capitals. The national carrier THY has direct flights to most Western European centres and offers daily flights to London and Frankfurt.

Service on board is bound to improve once Scandinavia's SAS starts catering for THY as agreed recently. THY also serves a wide network of domestic destinations including Ankara, Izmir, Erzurum, Trabzon and Diyarbakir.

The overnight "yatakli" train (about $80 return) which departs from Istanbul at 10pm every day and usually arrives in Ankara 10 hours later, is a practical and enjoyable alternative for those who need to go Ankara for the day but do not feel like getting up at an ungodly hour to catch the 7am plane. It is not to be confused with the ghastly Blue Train which has no berths, is unbearably hot in the summer, cold in the winter and quite unclean.

Taxis, bright yellow as in many countries, are now all metered, so there need be no fear of being taken for a ride. Periodically adjusted in line with inflation, fares are still fairly cheap compared to Europe and North America. The 25km drive between the airport and the city centre costs about TL15,000 (US $7).

Always be sure to have clear directions to your destination. Solid nerves and insensitive ears are your most valuable assets on board since no self-respecting Turkish taxi driver will drive at moderate speeds or be without blaring "arabesque" music to pound into the base of your skull from his loudspeakers.

The Sheraton Hotel, Taksim Square

Traffic in Istanbul is congested at the best of times. If you are going to the Anatolian side try to avoid the rush hour – or two – on the first Bosporus bridge (the view is spectacular on clear days). Traffic is usually lighter on the Second Bosporus bridge.

HOTELS

The best hotels are still the Hilton (tel 1314646) and the Sheraton (1312121). Both have excellent business services, including spacious conference halls, not to mention spectacular views of the city. The Etap Marmara (1514996), managed by the Pullman chain, is also recommended.

The recently opened Ramada (5139300) in Laleli is outside the city centre but within walking distance of major historical sites, including the Blue Mosque, Saint Sophia and the covered bazaar. The Divan (1314100), just off Taksim, also offers good services at more reasonable prices as does the Macka (1348200).

For those on tighter budgets a number of medium-priced hotels is scattered around Taksim square. They can be relied on for cleanliness and decent services and include the Dilson (1521305), the Keban (1522504), the Riva (1564422) and the Buyuk Londra (1491025).

Should you need to stay on the Anatolian side, the Suadiye (3581120) is probably the best choice.

RESTAURANTS

Istanbul caters to tastes ranging from Continental to Chinese cuisine. Should you want a typical Turkish kebab, however, Hasir, in Yesilyurt, is highly recommended. Those who need some respite from spices can find excellent Continental cuisine at the posh and rather expensive Ziya's in Tesvikiye, which is ideal for business lunches. Samsa and Cubuk 29, patronised by Istanbul's jet set, both offer spectacular views of the Bosporus.

For a touch of local colour (and more reasonable prices) try the fish restaurants under the Galata bridge or the tavernas in Sariyer. One cannot leave Istanbul without visiting Rejans on Istiklal street – a restaurant run by authentic White Russians.

TIME OFF

There is no lack of diversion in Istanbul. Belly dancing gypsies can be seen at Sulu Kule, while an exotic programme that includes everything from comedians to belly dancers and from pop singers to Turkish "classical" divas, can be the star attractions of the evening.

Bars are plentiful. Istanbul's intelligentsia frequents Bilsak in Ortakoy, while the beautiful people go to Memo's, also on the Bosporus. If all you want is a drink it is best to stick around your hotel. Simple, ordinary bars do not exist.

If your feet get itchy Istanbul offers an impressive range of discos: Samsa, Park Samdan, Etiler 29 and Discoreum are among the best and safest.

And if you should lose your passport: British Consulate 1447540; US Consulate 1513602; French Consulate 1495724; West German Consulate 1515404.

JOBS

The weighty dilemma looming for youth

By Michael Dixon

A SURE SIGN of age is feeling nettled instead of sympathetic when younger folk talk solemnly about the awfulness of growing old.

Time was when the Jobs column could think of no better riposte than to tell them they have only one certain way to avoid it. But demographic trends have now provided us oldies with a subtler counter-ploy.

It is to commiserate by pointing out, with heavily feigned regret, that their greener years are not going to be as leisured as ours were. After all, in the industrialised world at any rate, a dwindling of teenage populations in train of lower birthrates has coincided with a rise in life expectancy. So today's younger generations look bound to have to work unprecedentedly hard to support their elders in retirement.

Having tried the ploy a dozen times, I can vouch that it at least momentarily blights the bloom of youth in a way highly fortifying to the over-50s. My only misgiving is that, since all my victims so far are British, I have showered down the acid rain with undue weight. For a report just published by the Employment Conditions Abroad consultancy suggests that, when it comes to supporting their retired elders, young people in Britain are likely to be relatively lightly burdened by comparison with many of their counterparts elsewhere.

COUNTRY	No. of working-age people for each person aged 65-plus in: 1990	2010	2030	COUNTRY	No. of working-age people for each person aged 65-plus in: 1990	2010	2030
Switzerland	4.6	3.2	2.1	Belgium	4.7	4.2	3.0
W. Germany	4.5	3.3	2.3	Norway	4.0	4.5	3.0
Finland	5.2	4.0	2.5	Japan	6.2	3.4	3.1
Austria	4.6	3.7	2.6	US	5.4	5.3	3.2
Netherlands	5.4	4.5	2.6	UK	4.4	4.5	3.2
Canada	6.0	4.7	2.7	Spain	5.2	4.4	3.2
Luxembourg	4.7	3.6	2.7	Greece	5.5	3.9	3.2
Denmark	4.4	4.1	2.7	N Zealand	6.2	5.7	3.3
France	4.8	4.1	2.8	Australia	6.0	5.4	3.4
Sweden	3.7	3.7	2.8	Portugal	5.6	4.7	3.5
Italy	5.0	3.9	2.8	Ireland	5.4	6.1	4.4

Source: Projections made by the Organisation for Economic Co-operation and Development.

The main object of the consultancy's report is to give detailed forewarning of the prospective costs of keeping up present social-security arrangements in various countries if their prevailing demographic trends continue. But anyone who wants the cost figures will need to contact Sue Winterbottom of ECA at 15 Britten St, London SW3 3TY; tel 01-351 7151, fax 01-351 9396.

My sole concern is the projected future shapes of populations as summarised in the above table based on data from the Organisation for Economic Co-operation and Development. It estimates how many people of "working-age" (defined as 15-64) countries will have for each person of 65 or over, first next year, then in 2010 and 2030.

The figures are only projections: what OECD views as the most moderate of the foreseeable outcomes if prevailing trends persist. Since population patterns can change markedly in 41 if not in 21 years, what really comes to pass may turn out to be very different.

But the mere likelihood that the estimates might prove right is surely food for thought, particularly for anyone starting 40-plus years of earning a living around now. Whatever happens, the people of working age will not all actually be in jobs, and there will be children to bring up as well as oldies to support. So if the reality is anything like the projections, today's youngsters are going to be hard-pressed.

The dozen of them on whom I've used the ploy have talked hopefully of solutions such as raising retirement ages or even euthanasia. Happily, however, I doubt that they could be put into effect — in a democracy, at least.

My soundings suggest that, perhaps because the pressure of working life has increased, the age at which workers start looking forward to their pension is earlier than it used to be. People with their retirement date already underlined on the calender even include members of the generation characterised by the lament: too young to be a hippy; too old to be a yuppie. Their votes together with those of us over-50s add up to a severe electoral barrier to any worsening of present expectations.

Accordingly, if youth wishes to ensure similar expectations for its own retirement four decades hence, its best hope might be to breed. But when I suggested as much to one of its representatives the other day, he said: "In that case we'd still have to work much harder to bring up enough children to support us when we stop."

"How awful it must be to be young," I sighed.

IT chief

HEADHUNTER Geoffrey King of Cambridge Recruitment Consultants seeks an information technology manager for a company south of London with a £300m turnover in consumer electronics. Since he may not name his client, he promises to abide by applicants' requests not to be identified to the employer at this stage. So does the other recruiter to be mentioned later.

"The company is a marketing-led business but its IT systems are 10 years old and need considerable revamping," Mr King says.

Besides being up to date technically, candidates should have managed the introduction of new systems and be skilled in training executives to use them.

Salary about £40,000. Car among perks.

Inquiries to 11 King's Parade, Cambridge CB2 1SJ; tel 0223 311316, fax 0223 316152.

Retailing

JOHN BARNES of John Courtis and Partners (104 Marylebone Lane, London W1M 5FU; tel 01-486 6849, fax 01-487 4600) is offering an unspecified number of middle-management posts in various parts of Britain on behalf of a £1.5bn-turnover non-food retail group.

Candidates should have worked in buying, marketing or administration for a big company in fast moving consumer goods or the like.

Salary range £25,000-£38,000, plus bonus and car.

OPERATIONS MANAGER

City — **Package c. £40,000**

This is a well established Japanese trust bank and it has successfully expanded its operations in London to include the full range of international banking services. The Bank is now seeking an experienced individual to strengthen the controls and systems of its back-office function, in line with its plans for further development.

The successful candidate will be required to evaluate and develop all the back-office systems, testing them for both security and efficiency. The Operations Manager will work closely with the Deputy General Manager and must be willing to become involved in any administrative or compliance issues which arise.

Candidates will probably be aged between 35 and 50 with several years' experience in a similar role, or possibly the audit function of a financial services company. Also essential is an appreciation of Japanese institutions and work practices, a flexible approach, and good communication skills.

Interested candidates should send a comprehensive CV, including salary history and day-time telephone number and quoting Ref. 3066 to Vivienne Hines, Executive Selection Division.

Touche Ross

Thavies Inn House, 3/4 Holborn Circus, London EC1N 2HB.
Telephone: 01-353 7361.

CORPORATE FINANCE — £45,000

A U.K. investment house, predominantly involved in Foreign Exchange, Fund Management and Corporate Financial advisory services, require a high-calibre individual to head up their Corporate Finance area. The prime area of involvement will be Property Acquisitions and Financing utilising interest rate swaps and other money-market instruments. Ideally you will have a broad range of financial experience, in order to contribute to other areas within the company.
Contact: Wendy Fenn

SENIOR FOREIGN EXCHANGE DEALER — c£40,000

A major international bank in the City are seeking a Senior Foreign Exchange Dealer to join their expanding team. You will have a minimum of three years dealing experience in the major currencies, both spot and forwards, together with some cross-currency expertise. Ideally you will currently be working for a well-known name and aged between 25 and 30.
Contact: Wendy Fenn

CREDIT ANALYSIS — c£35,000

A major UK investment house has an opportunity for a credit analyst with an exceptional pedigree to join its treasury area. The position will involve establishing parameters for and setting counterparty limits. This role will afford the successful candidate an excellent opportunity to develop a broad knowledge of foreign exchange and treasury products, including futures, options and swaps. Interested parties must have an excellent credit background and be highly motivated, as the role will be largely autonomous.
Contact: Sarah-Jane Wittridge

CORPORATE BANKING — c£45,000

The corporate banking division of a major US investment bank wishes to identify a key individual to complement its existing team. The nature of involvement within the division will demand an individual possessing strong credit skills and a well-established client base, to whom he/she can market a range of complex credit products. The appointment is likely to be offered to an individual with a strong degree of dynamism aged late thirties/early forties.
Contact: Sarah-Jane Wittridge

JAPANESE FIXED INCOME SALES — c£35,000+

This large international securities house requires an additional salesperson responsible for Fixed Income sales to the Middle East. You will be in your late 20's early 30's, have experience dealing with Middle East institutions and a proven track record.
Contact: David Puddick

MONEY MARKET SALES — c£30,000+

An intelligent/young/dynamic person required for a major American Investment Bank. Experience should include handling "5 years and in" instruments and a minimum 2 years experience.
Contact: David Puddick

The above represents a small sample of the opportunities available, please do not hesitate to contact us for information about our more senior positions.

127 Cheapside
London EC2V 6BU

Anderson Squires
Financial Recruitment Specialists

Telephone: 01-606 1706
Telefax: 01-726 4031
A member of the Parkinson Group of Companies

Banking · Treasury — London · Paris · Frankfurt — Securities · Operations

---

REGISTERED REPRESENTATIVES. Stockbrokers seek (Private client) sales professionals. We have the clients U.K. & General Securities Plc, 72 Great Easter St. EC2. 01-895 1700.

UK MARKETING MANAGER
(Big Ticket Leasing)

A major UK house seek applicants able to identify, price, structure and close, high value (ships, property, aircraft) leasing transactions. Salary range **£30-£40,000 + benefits.**

LBO/MBO's FINANCE

This European bank seeks two executives, graduates preferred, with strong analytical and some marketing skills to work in their special finance division. One position calls for a marketing track record, the other has more emphasis on structuring. Age range 25-35 years. Salaries neg. **£25-£40,000 + benefits.**

SENIOR BANKER/ACCOUNTANT
(ACCA/ACMA)

An experienced banker with a professional qualification in accountancy is being sought by a well respected international bank to head up the accounting function and manage the team and to produce a smooth running, problem free department.

UK MARKETING EXECUTIVES
(Big Ticket Leasing)

We have a major international bank's leasing division seeking graduate bankers aged 25-30 years with proven flair and marketing – negotiating skills, specialising in tax based asset finance. Salaries negotiable **£25-£30,000 + large bonus + benefits.**

UK PROPERTY FINANCE

This bank seeks a graduate banker aged c30 years with proven skills in providing finance to property developers and commercial loans in the £1m to £10m range. This offers excellent career progression as this is a new venture for the bank. **Salary very negotiable.**

STOCK LENDING MARKET MAKER
£ VERY NEGOTIABLE

A highly respected UK Merchant Bank are interested to speak to a specialist in stock-lending. The ideal candidate will be in a senior appointment currently managing a team engaged in this function.

OLD BROAD STREET BUREAU LTD
STAFF CONSULTANTS
65 London Wall, London EC2M 5TU
Tel: 01-588 3991. Fax: 01-588 9012

Director, Capital Markets

£Substantial Package — **Surrey**

This is a rare opportunity for a creative, practical and experienced Capital Markets professional to join the market leader in mortgage backed securities.

In just over 3 years, we have built an outstanding reputation in the marketplace for service, innovation and professionalism. A wholly owned subsidiary of Salomon Brothers, we are managed independently, and are enjoying rapid growth.

As Head of the Capital Markets group you will be responsible for all aspects of the long term funding of our mortgage portfolio including:

- Security operations
- Investor relationships.
- Investment Bank relationships.
- Rating Agency relationships.

Candidates will probably be in their 30's, graduates, commercially minded with strong analytical skills. Experience of structured financing will be essential and should encompass asset securitisation and credit enhancement, long term interest rate risk management, the procedure for public debt issues and negotiation with rating agencies. Critical will be a proven transaction record of completed deals and the ability to participate with the management team in developing the overall business of TMC.

The position offers an excellent salary and first class benefits package.

To apply, please write with CV to: Peter Hessey, The Mortgage Corporation Limited, Dukes Court, Duke Street, Woking, Surrey GU21 5XX. Alternatively, telephone him for further information or an application form on (0483) 754414.

The Mortgage Corporation

Marketing Manager
Global Securities

CIBC ranks as one of the ten largest Banks in North America, employing some 36,000 personnel in 1600 offices worldwide. Within the Financial Services division, our Global Custody department is seeing continued expansion and growth of product range and we are looking for a confident and energetic young professional who can develop our European customer base across the whole financial community, whilst upholding our excellent reputation as a high quality service provider.

We require an innovative thinker who by utilising first class communication skills and an existing technical knowledge of securities (probably gained through at least 5 years experience in a relevant role within a securities environment) will identify prospective new customers, as well as co-ordinating and project managing their introduction. This will entail high level contact with an extensive range of prospective clients from the professional investment community.

If you're the individual we require, you'll find the potential is enormous, both in terms of career development with an expanding part of a truly international organisation and the excellent remuneration package we can offer.

So write or call: Suan Humphreys, Personnel Officer, Canadian Imperial Bank of Commerce, Cottons Centre, Cottons Lane, London SE1 2QL. Tel: 01-234 6415.

CIBC
Canadian Imperial Bank of Commerce

Develop Your Career in Asset Based Financing
Assistant Credit Manager

Following a record volume of business in 1988 and significant planned growth, the UK banking subsidiary of one of the world's largest corporations is expanding its Croydon based head office. The core business is to provide corporate customers with a wide range of financial services, including operating and finance leasing, hire purchase, commercial mortgages, medium and long term business loans, and a range of current and deposit account facilities.

This sustained growth has resulted in the promotion of a member of the Credit Department and as a result there is a need to recruit an Assistant Credit Manager. Reporting to the Director of Credit, you will join a high calibre, dynamic team analysing and preparing detailed credit reports on prospective customers for presentation to Credit Committee. Average deal size is approximately £350,000, although experience will extend to complex, non-standard multi-million pound transactions. Responsibilities will also include visiting customers to gain in-depth knowledge of their financial situation, future plans and prospects.

Aged 28–35, you are of graduate calibre and have a minimum of five years' experience of credit analysis within a financial institution. You have successfully completed a formal credit training programme and have gained an in-depth knowledge of equipment finance proposals and the associated legal issues, as well as exposure to computer based credit analysis systems.

You will command a competitive salary, which reflects both your experience and potential, and the remuneration package includes a company car and bonus scheme. Future prospects with this expanding organisation are excellent.

In complete confidence, please ring or write to **Kate Syms, Simpson Crowden Consultants Limited, 97/99 Park Street, London W1Y 3HA. Telephone: 01-629 5909.**

Simpson Crowden
CONSULTANTS

REQUIRED - EXPERIENCED SEAQ TRADER/DEALER

International securities company based SW1 seeks dealer experienced in Japanese Securities and SEAQ market-making, for unique position. The company is well-established in London, and seeking to augment its market-making operations with the appointment of an experienced SEAQ trader, preferably aged under 30 years, and with a *minimum* of 12 months' experience.

Remuneration package is entirely negotiable, but will reflect the importance of this position, and the calibre and experience of the successful candidate. Exc. bens to include stl. mort. subsidy and N.C.P. (after qualifying period).

Applications with full C.V., write Box A1326, Financial Times, One Southwark Bridge, London SE1 9HL. Attn. Managing Director.

Closing date for applications: 15th September 1989.

(NO AGENCIES PLEASE).

BUSINESS DEVELOPMENT MANAGER
LONDON BASED - GOOD SALARY + BONUS + BENEFITS

A foreign bank with excellent performance record, an international network providing a range of financial services to individual and corporate clients, and looking to expand its trade finance base in Europe, is seeking a Business Development Manager who will report directly to the General Manager.

Applicants should have a financial and marketing background and:

- Familiarity with trade finance techniques;
- Be articulate, reliable and highly motivated. Presentation and personality skills are essential for this position;
- A Good track record in profit generation;
- A working knowledge of foreign languages (Portuguese, Spanish or German).

Traveling both within the UK and abroad will be required.

Applications to be sent To Box A1323, Financial Times, One Southwark Bridge, LONDON, SE1 9HL along with resume and salary history.

RPO

EUROBOND SALES

On behalf of a major international institution, we are seeking multi-product sales people with at least two years active experience, preferably in a market-making house. The ideal candidate will be either servicing German institutional clients, or UK Institutions. Candidates should be creative and innovative in their approach, and a knowledge of swap driven transactions would be a bonus. Package highly negotiable. Please contact Fiona Cunningham or Patrick Murphy.

SPOT MAJORS AND CROSSES

High calibre Spot dealers are required by an expanding international bank with an aggressive outlook. Dynamic individuals with a strong performance record in majors, DM/Yen, $/Yen or EMS crosses, will be given a large measure of independence and can look forward to early responsibility. The preferred age range is 25-30, but more important is track record, personality and the ability to work in a cohesive team environment. Remuneration is very attractive.

OFF BALANCE SHEET TRADER

An OBS trader is required with particular expertise in FRA trading, predominantly US Dollars and Sterling. Our client has an excellent reputation in the Money markets and therefore will only consider applicants with a very profitable trading record and a stable career background. Please contact Nigel Hulbert or Anthony Isern.

THE ROGER PARKER ORGANISATION

BOWL COURT 231 SHOREDITCH HIGH STREET
LONDON E1 6PJ Fax: 01-247 1411 Telephone: 01-247 7632

Private Banking

European Appointments

Our client is a leading international American bank with a significant European presence and a prominent reputation in the Private Banking sector.

Business growth has created the need for additional Private Bankers within their European offices. The positions will involve the marketing and delivery of a wide range of private banking services including investment, trust and credit products.

In particular candidates, with a minimum of 5 years experience, should demonstrate the following:

- Proven ability in marketing financial services
- Personal qualities of strong communication skills and self-motivation
- Ability to develop effective marketing relationships with important private clients
- Working experience with international equities and fixed income portfolios

In addition, language skills would be a definite advantage.

Career development opportunities are excellent and a competitive salary and attractive sales bonus will be augmented by a package of fringe benefits in line with best banking practice.

Please write with a full c.v., indicating present salary level and quoting reference 1050/LB/89, to: Lisa Booth, Consultant, Austin Knight Selection, Knightway House, 20 Soho Square, London W1A 1DS. Alternatively, you can telephone her on 01-439 5782 (01-494 1093 evenings/weekends).

Applications will be forwarded to our client therefore companies in which you are not interested should be listed in your covering letter.

Austin Knight Selection

Portfolio Trader

European Equities Trading

Further strengthening our service capability across the range of Equity products and instruments, Merrill Lynch International Limited now seeks to appoint an additional trader with responsibility for the European component of client portfolio trades.

We are interested in candidates who can demonstrate experience of at least four major European markets, with knowledge of the settlements mechanisms as well as trading. Effective relationships with local brokers would be valuable and candidates with related and relevant background in the indicated markets will also be given consideration.

Working within a small specialist group, there will also be involvement in implementing new strategies and techniques to minimise risk. An interest in or familiarity with PC-based systems, including the downloading and manipulation of multiple data feeds would be advantageous.

The position will be London based. Some client visits will be required, and an ability in French or German would be of undoubted benefit.

Our remuneration terms include potential bonus earnings and should not prove an obstacle for the right individual.

Applications will be treated in strict confidence. To apply, please write with full career details to Alan Beazley, Personnel Manager, Merrill Lynch Europe Ltd, Ropemaker Place, 25 Ropemaker Street, London EC2Y 9LY. *Initial interviews will be held on 18 and 19 September in London.*

Merrill Lynch
A tradition of trust

SENIOR INVESTMENT ANALYST FAR EAST EQUITIES

The opportunity to join a progressive UK investment management firm.

This is an opportunity for a graduate in an economics/numerate discipline who has gained at least two years' experience in the analysis of Far East equities either in broking or investment management to join the London-based international department of a highly successful investment management operation.

As a member of a compact team your job will entail research into Japanese and other Far East companies and market sectors and the provision of investment recommendations to senior management. This will necessitate visits to Far East countries and considerable broker contact.

The company has an impressive growth record and manages a wide range of funds, with assets in excess of £5 billion. The atmosphere in the firm is professional and friendly and opportunities to progress into the management of your own funds are excellent. The compensation package includes a competitive base salary and a mortgage subsidy.

If you would like to be considered for this position, please telephone **Michael Thompson on 01-222 7733** or write to him at **John Sears & Associates, Executive Recruitment Consultants, 2 Queen Anne's Gate Buildings, Dartmouth Street, London SW1H 9BP.**

John Sears and Associates A MEMBER OF THE SMCL GROUP

CREDIT ANALYST

The bank of New York, with a history of excellence that spans over 200 years, has a challenging opportunity for a graduate with 1-2 years practical banking experience.

We are looking for a trainee analyst to join our influential credit team. Experience gained within the department will provide an excellent base for future advancement within the Bank.

Our compensation and benefits package is highly competitive. Please forward your detailed c.v., stating current salary to :

Mr J M Johnston,
Manager, Credit Department
The Bank of New York
46 Berkeley Street
LONDON W1X 6AA

THE BANK OF NEW YORK

APPOINTMENTS ADVERTISING

Appears every Wednesday and Thursday for further information

call Deirdre McCarthy on 01 873 4177

or Paul Maraviglia on 01 873 4676

or Patrick Williams on 01 873 3694

or Candida Raymond on 01 873 3351

Multiproduct Sales

Our client, a major U.S. bank, is looking for a highly motivated and ambitious salesperson to join its Japanese multiproduct group, selling both securities and loans.

The chosen candidate will ideally be a graduate in his/her 20s or 30s, possessing a minimum of two years' experience either in the securities markets selling both commercial paper and fixed income products, or in loan distribution. A knowledge of structured finance transactions will be highly advantageous.

It is likely that the chosen candidate will already have some familiarity with the Japanese market, gained from having worked either in Asia or with Japanese clients in London. More important, however, is that the person should have a positive attitude towards dealing with an exclusively Japanese investor base.

This position provides a highly competitive salary and benefits package. Future career prospects in the bank, both in London and globally, are excellent.

For an informal discussion and/or further information, please telephone or write in absolute confidence to **Neil Salt**, quoting reference NAS 2013.

Lloyd Chapman Associates
International Search and Selection
160 New Bond Street, London W1Y 0HR
Telephone 01-409 1371

CLIENT EXECUTIVE - UK CORPORATE FINANCE — **to £30,000**

One of the world's most prestigious International banks is looking to recruit a Client Executive who will be responsible for handling clients within the Manufacturing, Aerospace and Construction sectors. The successful candidate will have sole responsibility for a number of clients as well as acting in a support capacity to other members of the division. Applicants should be educated to degree level, coupled with strong credit analysis and transaction structuring background, preferably gained from a recognised Credit or Corporate Finance training programme, with at least 2 years' relevant experience with a leading financial institution.

ANALYST - EUROPEAN FINANCIAL MARKETS — **c £30,000**

Our client, one of the world's most respected credit organisations, is looking to recruit a high calibre graduate or MBA to join a team of professionals focused upon the rating of structured financings. Following an initial assignment in New York, the successful candidate will be assigned to a European country with responsibility for the analysis of a variety of factors which impact this market. Candidates should have a command of English together with at least one other European language which is likely to be their mother tongue. Additionally they should have strong analytical and communication skills.

ACCOUNT OFFICER — **c. £28,000 + Car**

First-class opportunity to join an expanding European Bank who currently wish to enhance their marketing team by recruiting an additional Account Officer. The successful candidate will be in their late twenties with at least three years' marketing experience aimed at UK corporates, in addition to experience of drawing up related documentation. Prospects within the company are excellent.

LOAN DOCUMENTATION OFFICER — **£20,000 +**

Excellent opportunity for a Loans/Security Documentation Officer to join this leading International bank within their Property Lending department. The position involves ensuring that all documentation has been correctly *completed both internally and with outside* Lawyers, offering guidance and support to Account Managers on security issues etc. The successful candidate will be aged 30 - 40 and have a sound security/loan documentation background in both Domestic and International banking.

For further information contact Gill Pembleton or Judy Elmes on : 01-236 0723

Well Court Associates
11 Well Court, London EC4M 9DN Fax: 01-489 8305
Executive Recruitment Consultants

THE AUSTRALIAN NATIONAL UNIVERSITY RESEARCH SCHOOL OF PACIFIC STUDIES DEPARTMENT OF ECONOMICS
POSTDOCTORAL FELLOW/ RESEARCH FELLOW/SENIOR RESEARCH FELLOW

Area: Theoretical and applied studies of economic development and trade, with special reference to the countries of Asia (especially Southeast Asia) and the Pacific. Applicants must be strong in economic analysis, and be interested in working on applied economic problems of Asia and the Pacific.

Qualifications: PhD or equivalent; evidence required of ability to conduct independent research: Some publications in well-recognised journals essential for applicants at RF or SRF level. Applications must include a short statement of research plans.

Post: Full-time; primarily research, but with the expectation that the appointee will do some graduate teaching: available early 1990. Secondments from other Australian institutions considered.

Details: Please obtain from School Secretary, RSPacS(062) 49 2675. Fax: (062) 57 1893, before applying.

Closing date: 30 October 1989 Ref: PA.3.8.1.

SALARY: Postdoctoral Fellow Grade I (fixed point); A$27,139 - A$3),682 p.a.; Research Fellow A$31,259 - A$4),622 p.a., Senior Research Fellow A$43,104 - A$51,141 p.a. **APPOINTMENT:** Senior Research Fellow/Research Fellow up to three years, possibility of extension to five years; Postdoctoral Fellow normally two years, possibility of extension to three years. **APPLICATIONS** should be submitted in duplicate to the Registrar, the Australian National University, GPO Box 4, Canberra, ACT 2601, Australia, quoting reference number and including curriculum vitae, list of publications and names of at least three referees. The University reserves the right not to make an appointment or to appoint by invitation at any time. Further information is available from the Registrar, or from Appointments (36736), Association of Commonwealth Universities, 36 Gordon Square, London WC1H OPF.

THE UNIVERSITY IS AN EQUAL OPPORTUNITY EMPLOYER

EXECUTIVE SEARCH £50,000 + BONUS CONSULTANT

We are an Executive Search firm specializing in Investment Banking. We enjoy a pre-eminent position in the market, with an excellent client base and unrivalled expertise. We seek highly motivated entrepreneurial individuals with experience of Financial Services or Executive Search, to help with the expansion of our organisation in Europe and the UK. We value loyalty and team orientation in the people we employ and seek to display the highest levels of integrity to our clients and candidates respectively. If you are between the ages of 27 and 40, have a history of creative achievement and would like a new challenge, with excellent commercial opportunities, we would very much like to hear from you.

Write Box A1328, Financial Times, One Southwark Bridge, London SE1 9HL

A LEADING SPECIALIST EVENT CONTRACTOR seeks a NON EXECUTIVE DIRECTOR

Based in London SW2 with many notable achievements over ten years in TV, exhibitions and theatre the Company now employs 80 staff, turns over £4m and now seeks a key Board appointment for its next growth stage.

A challenging opportunity exists for an enterprising yet mature down to earth personality with relevant industrial background and contacts to assist the Executive Directors in the formulation and achievement of a three to five year strategic plan.

You will advise on operational issues including organisational structure, key personnel development as well as commercial evaluation of markets, mergers and acquisitions, diversifications, property, funding and investment. Having already held extensive senior management positions you will have a record of achievement and quickly be able to earn your team's confidence in your judgement.

Calls on your time and commitment will include chairing monthly meetings of the Board, handling special project work and periodic availability for advice and discussion.

Financial package will not be a problem to the right applicant.

Please write enclosing a curriculum vitae in confidence to:

Martin Stainton, FCA, Stainton, Shafto *Appointments, 21 Wigmore Street, London W1.*

GUINNESS FLIGHT GLOBAL ASSET MANAGEMENT

Sales Professional

Guinness Flight Global Asset Management Limited is an expanding international fund management company with funds totalling US$1.6 billion under management and advice.

We are looking for an experienced self-starter to promote our *top performing offshore funds* to a full range of UK intermediaries, including accountants, solicitors and pension fund consultants as well as independent financial advisers. You will be able to draw on the support of our experienced marketing team and first class track record.

You are likely to be 25-35 with relevant experience probably in unit trust sales. Alternatively you may have been working in fund management, stockbroking or as an independent financial adviser and are now looking for a change of direction. A thorough understanding of investment markets and collective investment products is essential.

Competitive salary, car and all usual benefits are offered, including non-contributory pension scheme and substantial mortgage interest subsidy.

Please send a CV and covering letter to: Mrs Veronica Burwood, Personnel Manager, Guinness Mahon Holdings plc, 32 St Mary at Hill, London EC3P 3AJ.

Guinness Flight is a majority owned subsidiary of Guinness Mahon Holdings plc.

SMITHKLINE BEECHAM FOREIGN EXCHANGE DEALER WEST LONDON

SmithKline Beecham PLC is one of the world's leading pharmaceutical and consumer products companies with annual sales in excess of £3.7 bn. a marketing presence in 130 countries and a stock market capitalisation of over £7 bn.

An exciting opportunity now exists to join our close-knit foreign exchange team within the sophisticated and expanding Group Treasury Department. You will report to the Senior Dealer and will be actively involved in the monitoring and control of the Group's currency exposures together with the day to day operations of the dealing room.

You need to be forward thinking, positive and ambitious with at least one year's foreign exchange dealing experience gained within a banking or corporate environment. Thriving in a team atmosphere you will be expected to set high standards and 'add value' to this position.

The competitive salary package is dependent on experience and qualifications. Performance will be rewarded.

Applicants should write enclosing a comprehensive c.v., stating salary expectations and daytime telephone number to Miss ann Crookall, Personnel Officer, Beecham Group plc, Beecham House, Great West Road, Brentford, Middlesex. TW8 9BD

University of Reading

THE QUEEN'S AWARD FOR EXPORT ACHIEVEMENT

Dalgety Professorship of Food Management and Marketing

Applications are invited for the newly established Dalgety Professorship of Food Management and Marketing, to be held jointly in the Departments of Food Science and Technology and of Agricultural Economics and Management.

The Professor will be expected to play a leading role in developing research and teaching in management and marketing as it affects firms in the 'Food Chain'. Applicants should have a distinguished record of research and publication in management and marketing studies, and have close links with industry.

The appointment will be made from a date to be agreed with the successful candidate.

Further information may be obtained from the Registrar, Room 212, Whiteknights House, P.O. Box 217, The University, Whiteknights, Reading RG6 2AH. Telephone: 0734 318045

The closing date for applications is 9 October 1989.

STOCKBROKING

Waters Lunniss, the successful Norwich Stockbroker, is an important subsidiary of Norwich and Peterborough, the East of England's number one building society.

We will shortly be opening a new office in Peterborough and are looking for an experienced Private Client Stockbroker (aged 30 +) and one assistant.

Applicants should be Members or Registered Representatives who are experienced in private client management. *You must be able to demonstrate the* ability to generate new business contacts and be capable of organising and running a new office.

Career prospects are excellent, with income packages reflecting experience, ability and performance.

If you are interested in pursuing these opportunities, please contact John Lunniss on Norwich (0603) 622265 or write to him at:

WATERS LUNNISS

Waters Lunniss and Co Ltd, 5 Queen Street, Norwich NR2 4SG.
Telephone: Norwich (0603) 622265

All applications will be treated in the strictest confidence.

(Waters Lunniss are Members of the International Stock Exchange and The Securities Association)

Globally mobile and well equipped to talk money?

If you are, you could make the financial world your oyster as a training consultant with ACP Consultants Limited.

We operate internationally, supplying training advice and services of the highest quality to financial institutions. So, naturally, we set high standards of character and competence for our consultants.

You will need to demonstrate exceptional communication, presentation and teaching skills; a thorough knowledge of the financial markets and a dynamic personality, combining initiative, creativity and flexibility.

We are looking for training consultants with expertise in any of the following areas: capital markets, credit analysis, corporate finance, treasury, mergers and acquisitions, and derivative products.

Fluency in at least one language other than English would be an advantage.

Being comfortable working with computers is essential. We make extensive use of computer-based training techniques and computer simulations and, in 1988, won a National Training Award for innovation in training with Global Trader, the world's most sophisticated and realistic trading simulator.

Naturally, for someone so special, we offer an attractive remuneration package. If you could justify it, please reply, with CV and salary details, in confidence to:

David Lavelle. ACP Consultants Ltd., 10 Charles II Street, London SW1Y 4AA. Tel: 01-925 0705.

LONDON STOCK EXCHANGE

Closing upturn brings new 1989 peak

THE UK stock market put on a further display of confidence yesterday, rallying from early losses and closing with a burst of speculative activity which focussed around a handful of the leading international stocks. The FT-SE Index closed at a new 1989 peak, helped once again by trends in the FT-SE futures contract, where an early discount against the underlying index was sharply reduced later.

Against this background of speculative interest towards the close, the London market appeared to brush off the day's developments in the currency markets. While the intervention by central banks to curb

Account Dealing Dates			
First Dealings:	Aug 14	Sep 4	Sep 18
Option Declarations:	Aug 31	Sep 14	Sep 28
Last Dealings:	Sep 1	Sep 15	Sep 29
Account Days:	Sep 11	Sep 25	Oct 9

*New time dealings may take place from 9.00 am two business days earlier.

the dollar's rise suggested that US interest rates are likely to stay high, implying a similar outlook for British base rates, there was no immediate reaction in London equities. Yesterday's dip in the sterling exchange rate index, while potentially disturbing for domestic interest rates, failed to upset equity investors.

Equities opened uneasily, with share prices under pressure as a modest £30m trading programme was operated by a leading UK banking house. Little comfort was taken from a batch of corporate trading results, and the FT-SE Index was soon 8 points off.

Trading volume was still light, and bid stocks were clearly "on hold" as the market awaited further developments on a number of important bid fronts.

The market came alight just after 4.00pm when oil stocks, including the stock futures, blazed ahead. The takeover sector also came alive as a £685m deal between Grand Metropolitan and Brent Walker was confirmed. There was a sharp rise in BAT Industries on a suggestion in the market that Hanson Trust was on the point of counter-bidding against the offer for BAT from Hoylake, the Sir James Goldsmith-led consortium; so confident were the speculators that they soon embroidered the story by asserting that Hoylake would then bid for Allied-Lyons, the food and brewery group.

Similar speculation flared in Lonrho stock, said to be a possible target for Minorco, recently thwarted in the battle for Consolidated Gold Fields, and also for RTZ, a new addition to the speculative lists.

The sudden upswing in these leading stocks, together with the activity in the stock futures market, soon spread across the rest of the equity sector. By the close, the FT-SE Index was a net 6.8 up at 2,426.0, within 18 points of the all-time peak.

Outside of the special situations, equity trading remained fairly thin, and traders sounded cautious over assessing the late rise in the share market. Equity analysts will be watching carefully for sterling's performance in the foreign exchange markets overnight.

Walker deal intrigues

Confirmation of Brent Walker's purchase of Grand Metropolitan's betting shop businesses came in two parts yesterday, bringing further reaction in the shares of both the leisure industry companies. The opening shot came early with Brent's admission that it is selling its Whyte & Mackay whisky operation to a management consortium – another market story confirmed. Later, the whole equity market responded bullishly to the announcement that Brent is paying £685m, mostly in cash, for GrandMet's betting shops.

GrandMet shares, already firm, jumped ahead as the deal was announced, and closed a further 6 up at 654p for a net gain of 21p since the plan was hinted at in the press. Cash in hand is always good news.

The market was more intrigued by the news on Whyte & Mackay, which was interpreted as only the opening move in Brent's plans to sell the whisky firm. A management buyout, runs the market view, would be the least attractive disposal route; a better price may be found for Whyte & Mackay by a direct sale to a third party. Brent Walker shares slid a further 13 to 378p.

LASMO activity

LASMO, the independent oil company, was at the forefront of a general advance by the oil sector. The share price moved up 8 to 603p on much-bigger than usual turnover of 3.7m.

Kleinwort Benson, the securities house, were said to have been behind the latest upsurge in the shares. In their Drill Bits Weekly, the Kleinwort oil team reiterated its buy recommendation on the shares. It said that the recent drilling success on the West Claymore and East Piper fields in the North Sea "confirmed an excellent first half for LASMO in the North Sea," adding that the group's international drilling campaign "is in full swing, and discoveries on the Espinale permit in Colombia and the Tajjal permit in Pakistan await confirmation in their first half preview on September 13."

"In our view LASMO has added 60p a share to asset value from the North Sea alone in the first eight months of 1989; the international drilling campaign may have added as much again – the shares should be nearer 600p."

BP options boost

The oil sector was up and running as the session drew to a close with buyers paying particular attention to BP.

Specialists said the sector had come in for a strong measure of support from funds who are looking for sectors left behind during the recent market upsurge.

Dealers spoke of strong and sustained buying interest for traded options in many of the leading oil issues, but most obviously for BP.

The demand for the traded options led to a spate of buying for the underlying stock, which, coupled with talk of concerted US buying, lifted the BP share price to 310p by the close, a net gain of 4½.

Turnover in BP expanded rapidly, with seaq screens showing a total turnover of 10m shares, one of the biggest volumes for some time. However this was said to include a trade reporting error of 3.3m. There were also whispers of a possible divestiture by BP.

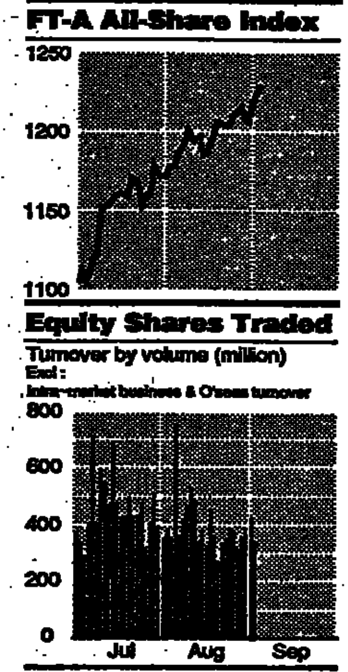
The whole of the oil sector was up and running as the session drew to a close. Specialists said the sector had come in for a strong measure of support from funds who are looking for sectors left behind during the recent market upsurge. Dealers spoke of sustained buying of traded options in many of the leading oil issues, but most obviously for BP.

Demand for the traded options led to a spate of buying for the underlying stock, which, coupled with talk of concerted US buying, lifted the BP share price to 310p by the close, a net gain of 4½. Turnover in BP expanded rapidly to 10m, the biggest for some considerable time, although this included a trade reporting error of 3.3m. There were also whispers of a possible divestiture by BP.

Shell attracted keen interest and turnover here grew strongly, eventually settling at 7.6m. The Shell share price jumped 9 to 445p reflecting growing optimism over the dividend announcement expected on September 14.

Enterprise Oil shares kept up their recent good performance, adding a further 8 at 603p on turnover of 453,000; the market is still looking for an out of court settlement of the Texas Eastern assets sale saga.

Ultramar remained a firm market adding 5 more at 352p following the recent County NatWest WoodMac "buy" note; County's oil team says "Devel-



opments in the refining industry have potential to add 30 per cent to 50 per cent to Ultramar's net income over the next few years."

Burmah ran into profit-taking which lowered the shares 4 to 663p but here too turnover of 1.7m was sharply higher than usual levels in the stock. Burmah is due to reveal interim figures tomorrow with Kitcat & Aitken going for net income of £48m against £37.5m last time with an interim dividend of 8p against 7p.

The merchant banking sector took off on another scintillating run, which left SG Warburg up 9 more at a year's best of 483p. Kleinwort Benson jumped 19 to 370p, Schroders raced up 20 to 1325p and Morgan Grenfell were 4 better at 342p. Hambros, restrained by concern over Hambro Countrywide's imminent interim figures, hardened to 233p.

Talk that a top UK securities houses had doubled its full-year profits estimate for Kleinworts to around £80m was said to have been behind the Kleinwort share price surge, while a recent Kleinwort upgrading of Mercury Asset Management was said to have triggered a re-rating of SG Warburg.

In the background to the share price rises, specialists pointed to Warburg's substantial presence in securities markets showing a healthier performance, coupled with its growing share of an expanding European corporate finance market. For Kleinwort it was said the interim figures, expected on September 13, could be lower than the first half last year but that the group would make a strong recovery from the loss-making second half of 1988. "The market has been looking for sectors lagging behind the market and it has settled on the merchants," noted one analyst.

The tiny radio sector hogged the limelight among leisure stocks. Capital Radio burst through the £10 barrier in a tight market and helped by an unequivocal buy note from Mr Chris Akers at Citicorp Scrimgeour Vickers. He cites the success of Capital Gold, a parallel channel aimed at a wealthier age group, and above average growth in advertising revenue. He is looking for price of £12 a share by the preliminary figures, due in November, and "£20 a share in two years time seems tenable." Capital closed 37 better at 1003p

The rest of the radio sector moved up in sympathy, led by Metro Radio, up 19 at 223p and Miss World, which closed at 638p, a net rise of 20. The latter sold its 8¼ per cent stake in Liverpool's Radio City, through Citicorp, at a slight discount to the 560p market price, thereby raising around £600,000 for Miss World. City closed 7 better at 567p.

Scottish TV put in a strong performance, helped by a buy circular from Hoare Govett. The shares climbed 27 to 511p in thin trade. The TV sector reporting season starts tomorrow with Tyne-Tees, also recommended by Hoare, which closed 7 to the good at 470p.

BZW downgraded Midsummer Leisure "to a level in line with the rest of the market." It is forecasting current year profits at £10m, against the previous figure of £11m. The shares fell 17 to 199p.

A long line of Bank Organisation stock hung over the market, depressing the price to 933p, down 17 on the day. The line on offer was said to have come from of recent disposals by directors and employees as their options became exercisable.

A bearish circular on the retailing sector issued by County NatWest WoodMac kept most of the stores under pressure. GUS "A", in particular, suffered, with the shares down 15 at 1191p with County saying the shares had run "far enough."

Ratners moved against the trend, however, after Kitcat and Aitken, the brokers, advised clients to buy the shares. Mr John Chataweay at Kitcat, says Ratners are "an anomaly in the sector, with trading currently going very well." The Kitcat analyst says 35 per cent of Ratners profits come from the US and says the strong dollar is good news for Ratners.

The electronics and telecoms issues were highlighted by the increase in activity in British Telecom, where big demand for the traded options, with plenty of interest said to have emanated from the US, boosted turnover to more than 10m shares. BT shares settled 1½ ahead at 268½p.

Amstrad also made progress, adding 2½ at 77p on turnover of more than 4m shares, still boosted by the recent big order for satellite receiving equipment; Amstrad's preliminary figures have been pencilled in for September 28, with analysts going for a pre-tax profits figure of £85m compared with last year's £160m.

VG Instruments leapt a further 24 to 503p, with the market gripped by stories that a move for the BAT 63 per cent stake could be imminent. "A deal over the BAT stake is just a matter of time, with 600p-plus on the cards," said one watcher of the story. It was also said that the identity of one of the potential buyers of the BAT stake could surprise the market; a pharmaceutical group said to be at the front of the queue.

Better than expected figures from engineering major IMI pushed the shares 13 better to 252p. County NatWest WoodMac was one broker to increase its full year forecast, from £122m to £126m. Mr Sandy Morris, at County, said that the company's international diversification "means that 52 per cent of its sales are overseas, so it isn't going to be as badly affected by a slowdown in the UK as people were expecting."

Foods was one of the livelier sectors. There was continued switching out of of Asda and into Argyll. The former has been subject to bouts of speculative trade while the latter's fundamentals have been helped by Monday's link with two European companies – dealers are hoping for more such deals to follow. Asda slipped 2 to 207p while Argyll touched 258p before settling at 257p, up 4 on the day, helped by a single early morning trade of 1m shares.

A tiny rise in interim profits at Booker weighed heavily on the shares initially. They slipped to 456p before recovering to close 2 better on the day at 460p. The recurrence of vague bid talk was "the last refuge of a stale bull," according to Mr Carl Short, analyst at Kitcat & Aitken. He trimmed his forecast for the current year's profits from £94m to £91m.

BATs' strength undermined RHM, subject to stories that it would be a bid target should the BATs takeover attempt fail. The shares shed 3 to 469p.

ADT posted a 32 per cent rise in six month profits and a scrip of one share for every 47 held. The shares were firm, particularly in the light of going ex-dividend, climbing 2¼ to 211p. Mr Roy Owens, at Kitcat & Aitken said ADT is "heading for strong growth in 1989 and longer term from its defensive core activities – the rating is undemanding for a stock of this quality."

County NatWest WoodMac joined other brokers in publishing bullish comment on British Airways' proposed 15 per cent stake in United Airlines of the US. The shares British Airways closed 10 to the good at 218p.

Brewery stocks were in the limelight again at the close, with Allied-Lyons spurting ahead to close 11 up at 566p on hints that the Hoylake consortium, facing problems with its BAT bid, will switch its attention to the brewing/food group.

The chairman of Brammer said that margins were under pressure and growth was slowing. The shares fell 13 to 249p.

■ Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 26

NEW HIGHS AND LOWS FOR 1989

NEW HIGHS (216).
AMERICANS (20) BANKS (9) BREWERS (7) BUILDINGS (1) CHEMICALS (6) STORES (8) ELECTRICALS (9) ENGINEERING (6) FOODS (12) HOTELS (2) INDUSTRIALS (26) INSURANCE (2) LEISURE (11) MOTORS (5) NEWSPAPERS (2) PAPERS (3) PROPERTY (2) SOUTH AFRICANS (3) TRANSPORT (2) TRUSTS (56) OILS (6) OVERSEAS TRADERS (1) PLANTATIONS (1) MINES (17) THIRD MARKET (4).
NEW LOWS (27).
BUILDINGS (3) STORES (1) ELECTRICALS (6) ENGINEERING (1) FOODS (1) INDUSTRIALS (8) Apollo Watch, Delaney, Metal Closures, Mid Kent, Do. Wrnts., Misty, Sterling Inds., Triefus, Utd. Guarantee, LEISURE (1) MOTORS (1) PAPERS (2) PROPERTY (2) OILS (1).

Alexandra W'kwear, Amber Inds., Amer. Bus. Systems, B.H. Prop., BTR Nylex, Barry Wehmiller, Blue Arrow, Brierley Invs., Brompton, CSR, Computer People, Grafton, Macarthy, Page (M.), Reuters, Russell (A.), Schlumberger, Sidlaw, Sinclair (W.), Smithkline Beecham A, Do. Eq. Units, Sthn. Bus. Grp., Stonehill, Tech. Project Serv., Tomkins 6¼pc Cm. Pf., Whitecroft.

FINANCIAL TIMES STOCK INDICES

	Sep 5	Sep 4	Sep 1	Aug 31	Aug 30	Year Ago	1989 High	1989 Low	Since Compilation High	Since Compilation Low
Government Secs	86.28	86.46	86.52	86.81	87.03	86.83	89.29 (8/2)	83.75 (14/8)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	97.18	97.83	97.78	97.88	98.16	95.74	99.59 (15/3)	95.21 (13/6)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	2006.8	2003.8	1992.7	1977.5	1970.9	1426.0	2006.6 (5/9)	1447.8 (3/1)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Mines	200.5	198.6	198.8	198.6	195.8	184.1	206.0 (7/7)	154.7 (7/2)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2426.0	2419.2	2407.5	2387.9	2381.3	1768.0	2426.0 (5/9)	1782.8 (3/1)	2443.4 (16/7/87)	986.9 (23/7/84)
Ord. Div. Yield	3.93	3.94	3.97	4.00	4.01	4.76				
Earning Yld %(full)	9.41	9.43	9.51	9.58	9.61	12.02				
P/E Ratio(Net)(★)	12.81	12.78	12.68	12.59	12.55	10.12				
SEAQ Bargains(5pm)	28,135	28,392	32,084	26,267	25,737	18,657				
Equity Turnover(£m)†	-	833.46	894.00	889.60	855.07	654.62				
Equity Bargains†	-	39,932	31,901	28,223	26,155	18,534				
Shares Traded (ml)†	-	343.8	421.8	388.5	356.9	272.8				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83. ★ Nil 12.46

Ordinary Share Index, Hourly changes — Day's High 2008.6 — Day's Low 1999.0

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
2006.2	2004.8	2002.2	1999.2	1999.1	2000.1	2001.0	2003.2

FT-SE, Hourly changes — Day's High 2428.0 — Day's Low 2410.4

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
2420.0	2417.7	2414.7	2410.5	2410.7	2411.8	2414.4	2417.4

S.E. ACTIVITY

Indices	Sep 4	Sep 1
Gilt Edged Bargains	62.2	86.4
Equity Bargains	N/A	N/A
Equity Value	N/A	N/A
5-Day average		
Gilt Edged Bargains	78.9	82.1
Equity Bargains	N/A	N/A
Equity Value	N/A	N/A

SE Activity 1974. †Excluding intra-market business & O'seas turnover. London report and latest Share Index: Tel. 0898 123001

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing Price	Day's change
ASDA Group	2,400	207	-2
Abbey National	10,000	147	[illegible]
Allied-Lyons	[illegible]	[illegible]	[illegible]
Amstrad	[illegible]	77	[illegible]
Argyll Group	[illegible]	257	+4
Ass. Brit. Foods	[illegible]	[illegible]	[illegible]
BAA	[illegible]	[illegible]	[illegible]
BAT Inds.	[illegible]	[illegible]	[illegible]
BET	[illegible]	[illegible]	[illegible]
BICC	[illegible]	[illegible]	[illegible]
BOC	[illegible]	[illegible]	[illegible]
BPB Inds.	[illegible]	[illegible]	[illegible]
BTR	[illegible]	[illegible]	[illegible]
Barclays	[illegible]	[illegible]	[illegible]
Bass	[illegible]	[illegible]	[illegible]
Blue Circle	[illegible]	[illegible]	[illegible]
Boots	[illegible]	[illegible]	[illegible]
Brit. & Com.	[illegible]	[illegible]	[illegible]
Brit. Aerospace	[illegible]	[illegible]	[illegible]
British Airways	[illegible]	218	+10
British Gas	[illegible]	[illegible]	[illegible]
British Land	[illegible]	[illegible]	[illegible]
BP	[illegible]	310	[illegible]
British Steel	[illegible]	[illegible]	[illegible]
British Telecom	[illegible]	268½	[illegible]
Burmah Oil	1,700	663	-4
Burton	[illegible]	[illegible]	[illegible]
Cable & Wireless	[illegible]	[illegible]	[illegible]
Cadbury Schweppes	[illegible]	[illegible]	[illegible]
Carlton Comms.	[illegible]	[illegible]	[illegible]
Commercial Union	[illegible]	[illegible]	[illegible]
Cons. Gold Fields	[illegible]	[illegible]	[illegible]

(The remaining three column groups of this table — Stock, Volume 000's, Closing Price, Day's change — are [illegible].)

APPOINTMENTS

Senior posts at LINK

■ Mr Peter Lumb, an executive director of the Leeds Permanent Building Society, has been elected chairman of LINK, the branded cash network. Mr John Hardy, former chairman of the LINK network and head of electronic consumer banking at Girobank, becomes chief executive.

■ GATEWAY FOODMARKETS has completed the restucturing of its main board with the appointment of Mr Paul Highett-Smith as merchandise director. He will join the company on September 18 from the board of Argyll Foods.

■ Mr Robert C. Akroyd has been appointed managing director of DAVY ENERGY AND ENVIRONMENTAL. The new company, based in Stockton-on-Tees, brings together a number of Davy technologies including nuclear engineering and will operate as part of the process division of Davy Corporation.

■ Mr James Hayward has been appointed head of internal audit, HILL SAMUEL INVESTMENT SERVICES GROUP. He was internal audit manager.

■ Mr Wolfgang Mosebach has become a board member of AB ELECTRONICS GROUP. He has been managing director of AB Elektronik in Werne, West Germany, since 1980. He was appointed an AB product group director two years ago and is responsible for the automotive products section.

EMAP, the magazine, newspaper and exhibitions group, has appointed Mr David Arculus *(above)* as group managing director. He is currently deputy group chief executive.

■At BRYANT GROUP Mr Hugh W. Laughland has been made a non-executive director. He is a non-executive director of BTR.

■ Mr John Halenda has been appointed managing director of GMFANUC ROBOTICS (UK). This follows the purchase of 600 Fanuc Robotics by the GMFanuc Robotics Corporation (USA) in April.

■ Following the merger of RHM's bulk chocolate companies as S&A LESME, Mr N.H. White and Mr A.L. Edgar, who are currently responsible for finance and operations, become finance director and operations director respectively.

■ THE BLACK COUNTRY DEVELOPMENT CORPORATION has appointed Mr Derek Kerr as its director of investment. Before taking up this post, Mr Kerr worked for the Corporation on secondment from the Department of the Environment, where he was regional principal for the local urban programme.

■ Mr Julian Rivers will become marketing director of DILLONS BOOKSTORES, the bookselling chain owned by Pentos, on September 18. Mr Rivers, who previously worked for Pentos as a director of Pentos Publishing Group, was until recently sales and marketing director of Thorsons Publishing Group.

■ Mr Alexander Hooton has been appointed to the board of PRIVATE CAPITAL FINANCIAL SERVICES, the independent financial adviser within The Private Capital Group, itself a subsidiary of the Scandinavian Bank Group.

■ Mr Nicholas Watts has been promoted to investment director at JOHN GOVETT & CO.

■ Mr Noel R.W. Strong has joined the WARD GROUP as group chief accountant. He was formerly finance director with Vickers Instruments International.

■ UK LIFE has appointed Mr Ian Hancock as its legal advisor and company secretary.

■ Mr Nigel Berry has been made financial controller of WASSALL.

Mr Patrick Arnold-Baker *(above)* has been appointed managing director of DURKOPP (UK), the specialist supplier of industrial sewing machines. He has spent the last 16 years as a technologist with Marks and Spencer, latterly as the technical executive of its Childrens Wear buying group.

FT UNIT TRUST INFORMATION SERVICE

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-925-2128

AUTHORISED UNIT TRUSTS

Abbey Unit Tst Mngrs (1000)H
80 Holdenhurst Rd Bournemouth 0345 717373

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
High Income						
American Income	6	58.35	58.97xd	62.74	+0.7	4.37
Gilts & Fixed Int	6	109.80	109.60	116.40	-0.3	8.54
High Inc Equity	6	142.40	145.3xd	154.6	+0.4	4.11
Worldwide Bond	6	205.1	205.1xd	217.3	+1.9	4.88
Capital Growth						
American Growth	6	207.9	210.1	217.3	+1.9	0.68
Asian Pacific	6	113.9	116.2	123.70	+2.7	1.05
Assets & Earnings	6	168.2	168.2	179.9	-2.1	2.06
Capital Reserve Acc	0	86.99	86.99	87.06	-0.04	4.59
Comdty & Energy	6	116.40	119.8	127.5	+1.2	1.49
1992 Enterprise	6	61.46	62.63xd	66.63	-0.49	1.92
European Capital	6	94.73	95.41	101.50	+0.9	0.74
General	6	189.40	190.40xd	202.6	+0.6	2.47
International	6	54.70	55.58	59.13	+0.3	0.85
Japan	6	115.2	117.0	124.5	+0.5	0.00
Mastertrust	6	93.11	93.11	99.59	-0.7	1.71
UK Growth Acc	6	208.9	208.8	223.4	-8.1	1.25
UK Growth Dist	6	139.3	139.3	149.0	-5.4	1.88
US Emerging Cos	6	56.28	56.28	60.20	+0.51	0.00
Income & Growth	6	324.70	331.90	352.2	+0.8	2.91
Ethical	6	51.38	52.65	56.02	-0.14	1.79

Abtrust Management Ltd (1000)H
10 Queens Terrace Aberdeen AB9 1QJ 0800 833580

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Amer Inc & Growth	5¼	35.37	35.37	37.75	-0.30	2.78
European	5¼	73.00	73.26	78.10	-0.44	0.00
European Income	5¼	68.12	68.12xd	72.75	-0.59	2.67
Exempt	1	859.8	859.8	894.2	+3.60	1.83
Extra Income	5¼	46.88	46.88xd	50.04	-0.08	4.38
F East Emerg Econs	5¼	58.60	58.68	62.85	-7.94	0.43
Fund Inv Tst	5	136.3	136.3	145.5	+0.40	1.99

GUIDE TO UNIT TRUST PRICING

مكتبة الأهل

FT UNIT TRUST INFORMATION SERVICE

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-925-2128

Windsor Trust Mngrs Ltd (1200)F
83 Kingsway, London, WC2B 6SD 01-405 8331

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Combi & Equity	5	64.39	67.55	71.84	-0.18	6.61
European	5	77.41	77.99	82.90	+1.88	0.09
Far Eastern	5	64.02	69.29	73.55	+1.06	0.59
Growth Inc	5	90.55	93.92	99.91	+0.16	1.37
Growth Acc	5	90.62	93.99	99.98	+0.16	1.37
Income Inc	5	85.82	88.29	93.92	-0.17	4.52
Income Acc	5	85.97	88.40	94.03	-0.17	4.52
Property Share	5	55.67	55.67	59.34	-0.09	0.99
Smaller Co's	5	59.69	59.69	63.62	-0.24	1.51
Nth American	5	72.41	72.41	77.43	+0.59	1.42
International	5	51.47	51.41	55.19	+0.14	1.35

Wright Seligman Fund Mngrs Ltd (1700)F
11 Blomfield St, London EC2M 7AY 01-588 0592

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Intl Growth	5	116.34	116.34	123.34	—	3.00
UK Growth	5	95.00	95.00	100.00	—	5.00
UK Income	5	95.00	95.00	100.00	—	4.50

Weekly dealing day Tuesday

The Yorkshire Unit Tst Mngrs Ltd (1100)F
Woodsome Pk, Fenay Bdge, Huddersfield 0484 602250

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Yorkshire General	5¼	63.72	68.08	72.43	+0.15	2.50
[illegible]	5¼	62.81	63.94	68.02	+0.03	3.68
[illegible]	5¼	54.84	54.84	58.57	+0.19	0.76

OTHER UK UNIT TRUSTS

Baillie Gifford & Co Ltd

	Bid Price	Offer Price	+ or -	Yield Gr's
Int'l Expt June 7	485.3	503.8	—	—

Cent. Bd. of Fin. of Church of England‡‡
2 Fore Street, London EC2Y 5AQ 01-588 1815

	Bid Price	Offer Price	+ or -	Yield Gr's
Inv Fund July 31	538.95		—	4.55
Fxd Int Sec July 31	142.05		—	10.07
Deposit July 31	100.00		—	13.25

Charinco/Charishare‡‡ (1000)F
33 King William Street, EC4R 9AS 01-280 2800

	Bid Price	Offer Price	+ or -	Yield Gr's
C'inco Inc Aug 30	163.6	169.9	-4.00	10.06
C'inco Acc Aug 30	696.1	714.3	+0.80	10.06
C'share Inc Aug 30	162.4	168.5	-1.20	3.98
C'share Acc Aug 30	179.7	186.4	-0.10	3.98

Albany Life Assurance Co Ltd—Contd.

	Bid Price	Offer Price	+ or -	Yield Gross
Sunrise Metro	141.8	149.2	+2.9	—
UK Metro	125.7	132.2	+0.4	—
N Am Pn Fd Acc(2)	287.2	302.2	+3.7	—
Pac Basin Fd Acc(2)	202.1	212.7	+2.7	—
Property(2)	607.8	639.7	+0.1	—
Mlple Inv Pens Acc(2)	1568.9	1651.4	+2.3	—
Broker Funds				
Prof. Pen. Fd	102.8	108.1	—	—
YRA Strategy	127.7	134.4	+0.8	—
YRA Performance	109.6	115.3	+0.4	—
Laughton Dollar (SE)	145.7	153.3	+0.3	—

Allied Dunbar Assurance Plc
Allied Dunbar Ctr, Swindon SN1 1EL 0793 514514

	Bid Price	Offer Price	+ or -	Yield Gross
Fixed Int. Dep. Acc	265.5	279.5	—	—
Equity Acc	921.5	970.0	+1.4	—
Property Acc	511.0	537.9	+0.2	—
Far East Acc	216.9	228.4	-0.4	—
European Acc	25.0	26.4	+0.1	—
Managed Acc	719.8	757.7	+0.7	—
Managed Cap	406.6	428.0	+0.3	—
O'seas Earnings Acc	615.0	647.4	+2.4	—
Gilt Edged Acc	319.5	336.4	-1.2	—
American Equity Acc	504.2	530.8	+2.4	—
American Man. Acc	232.0	244.3	+0.6	—
American Prop Acc	152.7	160.8	+0.1	—
Pen. F.I. Dep. Cap	293.2	308.7	+0.1	—
Pen. F.I. Dep. Acc	506.4	533.1	+0.2	—
Pen. Prop. Cap	597.9	629.4	-1.0	—
Pen. Prop. Acc	1142.9	1203.1	+0.4	—
Pen. Man. Cap	888.7	935.5	-0.5	—
Pen. Man. Acc	1697.7	1787.1	+3.1	—
Pen. Gilt Edg. Cap	319.0	335.8	-1.3	—
Pen. Gilt Edg. Acc	498.0	524.3	-1.2	—
Pen. Eq. Cap	1477.7	1555.5	+0.8	—
Pen. Eq. Acc	2137.6	2250.2	+4.2	—
Pen. Am. Eq Cap	171.2	180.3	—	—
Pen. Am. Eq Acc	210.8	221.9	+2.4	—
Pen. Far East Cap	260.2	273.9	-0.1	—
Pen. Far East Acc	319.2	336.0	+2.4	—
Pen. Euro Cap	30.3	31.9	+0.5	—
Pen. Euro. Acc	33.1	34.9	+0.5	—
Pen. B.S. Acc	556.3	584.4	+0.2	—

City of Edinburgh Life Assurance
46 Charlotte Sq, Edinburgh EH2 4HQ 031-225 1655

City of Westminster Assurance (z)
PO Box 469, 500 Avebury Blvd, Milton Keynes MK9 2NU

Clerical Medical/Fidelity International
Narrow Plain, Bristol BS2 0JH 0272 290566

INSURANCES

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-925-2128

Premium Life Assurance Co Ltd
37-39 Perrymount Road, Haywards Heath 0444 458721

	Bid Price	Offer Price	+ or -	Yield Gross
American	136 0	144 0	+1 0	-
Building Soc. Fd	174 0	184 0	...	-
Balanced	294 0	310 0	+1.0	-
European	192 0	203 0	+3 0	-
GT Manager	192 0	203 0	+2.0	-
Gartmore Mngd	129 0	136 0	...	-
German	138 0	146.0	+1.0	-
Gilt	183 0	193 0	...	-
Global	50 0	53 0	...	-
High Inc.	121 0	128 0	...	-
International Equity	206 0	217 0	+1 0	-
Japan	264 0	278 0	+1.0	-
Managed	64 0	68 0	...	-
Property	291 0	307 0	...	-
R W Imperial Gold	153 0	162 0	...	-
UK Equity	368 0	388 0	-1.0	-
Pension Funds				
American	156 0	165 0	...	-
Building Soc. Fd	175 0	185 0	...	-
Balanced	226 0	238 0	...	-
European	190 0	200 0	...	-
German	119 0	126 0	...	-
Gilt	158 0	167 0	...	-
International Equity	148 0	156 0	...	-
Japan	144 0	152 0	...	-
Managed	68.0	72.0	...	-
Property	223 0	235 0	...	-
UK Equity	337.0	355 0	...	-

Professional Life Assurance Co Ltd
Frobisher Hse, Nelson Gate, Southampton 0703 232323

	Bid Price	Offer Price	+ or -	Yield Gross
Pensions Managed Fund	98 64	104 29	+0 44	-
Pensions Cash Fund	79 52	83 71	+0.03	-

Prolific Life & Pensions Ltd
Stramongate, Kendall, Cumbria LA9 4BE 0539 733733
Managed Fund see Balanced Growth Managed Fund

	Bid Price	Offer Price	+ or -	Yield Gross
Life Funds				
Balanced Gwth Mngd	635 5	669 7	+1 9	-
Adventurous Mngd	138 0	145 5	+0 5	-
Secure Mngd	114 2	120.4	-0 4	-
Cash Fd	237.3	250 0	...	-
Property Fund	295.9	311 7	...	-
Equity Fund	724 6	763 6	+2 8	-
Fxd Int. Fund	305 0	321.4	-0 2	-
International	330 7	351.9	+2 4	-
High Income	491.5	522 9	...	-
Far East	432.5	460.2	+17.3	-
North American	312.0	328 8	+2 1	-
Special Sits	668 9	711 7	+1 5	-
Technology	264 0	280 9	...	-
Extra Inc Fd	300.2	319 4	+2 9	-
Convertible & Gilt Fd	160 0	170.3	-0 3	-
American Income	144 3	152.2	+0 9	-
Gilt Fund 20	304.7	324.2	-0.3	-

Prudential Holborn Pensions Ltd
30 Old Burlington St, London W1X 1LB 01-439 3134

	Bid Price	Offer Price	+ or -	Yield Gross
Managed	604 2	636 0	+0.2	-
Equity	879.5	925 8	-3 0	-
Global Equity	264.5	278.5	+2.3	-
Fixed Interest	413.3	435 1	-1.0	-
Property	403 4	424 7	...	-
Cash	160 7	169 2	+0.2	-
Index Linked Gilt	204 6	215.4	-0.1	-
Guaranteed	12.56		...	-
International Money	206 4	217.3	+0.3	-
North American	87.1	91 7	+0.7	-
Japanese	148 9	156 8	-1.1	-
European	106 4	112.1	+1.0	-
Special Situations	125.3	131 9	...	-
Communications	113 7	119.7	+0.5	-
Smaller Companies	116 9	123 1	+0.3	-
International Small Cos	148 1	155.9	+0 7	-

Prudential Pensions Limited
Holborn Bars, London EC1N 2NH 01-548 3281

	Bid Price	Offer Price	+ or -	Yield Gross
Discretionary Aug 30	£166.40	172.40	...	-
Equity Aug 30	£184 15	191 14	...	-
International Aug 30	£28 19	29 10	...	-
Intl Bond Aug 30	£12.60	12.78	...	-
Fixed Int Aug 30	£74 40	75.39	...	-
Index Linked Aug 30	£63.92	64 71	...	-
Property Aug 30	£113 95	120 63	...	-
Cash Aug 30	£21.4653	21.4653	...	-
Pru-Linked Retirement Plan				
Managed Aug 29	404 2	421.1	...	-
Cash Aug 29	201.5	209 9	...	-
Prudential Pensions Investment Account				
Pens Mngd Sept 5	163 9	176.3	+1.4	-
Pens UK Eq Sept 5	318 7	344.0	+3 4	-
Pens Intl Sept 5	194 7	209 6	+1.7	-
Pens Fixed Sept 5	170.3	179 9	...	-
Pens Index Li Sept 5	162.7	172.0	+0.3	-
Pens Cash Sept 5	131.5	138.6	...	-

Regency Life Assurance Co Ltd
Regency Hse, Lanark Sq, London E14 9XS 01-538 8800

	Bid Price	Offer Price	+ or -	Yield Gross
Aggressive Ptflio Fd	125.7	132.3	+0.1	-
Balanced Ptflio Fd	329.7	347.0	+0.4	-
Cautious Ptflio Fd	124 8	131.3	+0.1	-
Elite Fund	120 0	126.3	+0.2	-
European Fund	94.9	99.8	+0 4	-
Far East Fund	109.7	115 4	+0.3	-
Fixed Interest Fund	244.5	257.3	+0.1	-
International Fund	292.3	307 6	+0.9	-
Money Fund	179 6	189 0	+0 1	-
N American Fd	129 9	136 7	+0 6	-
Property Fund	423.6	445 8	+0.6	-
UK Equity Fd	407.9	429.3	+0.5	-
A I M Brown Diplo Fd	100 2	105.5	+0.1	-
Swim Select Invs	117 1	123.3	+0 4	-
Chart Safety First Bd	110 1	115.9	...	-
Exec Master Fd	103 1	108.5	+0.2	-
Hardwick Growth Fd	111.3	117.2	...	-

OFFSHORE AND OVERSEAS

MANAGEMENT SERVICES

GUERNSEY (SIB RECOGNISED)

JERSEY (SIB RECOGNISED)

IoM (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

JERSEY (**)

SWITZERLAND (SIB RECOGNISED)

GUERNSEY (**)

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1989 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
99	98	Exch 11pc 1989	99			
99	95¾	Treas 5pc 1986-89	99		5.04	11.23
99½	98	Exch 10¼pcCv '89	99		10.33	13.61
101	99	Treas 13pc 1990‡‡	99		13.01	12.88
132	124	Treas 2pc IL '90(84.6)	132		2.09	9.98
99	98	Exch 11pc 1990‡‡	99		11.09	12.85
101	99	Exch. 12½pc 1990	99		12.54	13.23
95¾	91	Treas. 3pc 1990	95		3.14	10.12
97¼	95¾	Treas 8¼pc 1987-90‡‡	97		8.47	11.78
98	95¼	Treas. 8pc Cv 1990 ‡‡	96		8.27	12.07
98	96	Treas. 10pcCv 1990	97		10.27	12.54
93	87	Exch 2½pc 1990	93		2.69	8.76
101	98	Treas 11¾pc 1991	99⅝		11.83	12.23
93¾	89¾	Funding 5¾pc '87-91‡‡	93¼		6.17	10.56
90⅞	86	Treas. 3pc 1991	90		3.32	9.40
100	95	Treas 10pc Cv '91 ‡‡	97		10.31	11.81
101	97	Exch. 11pc 1991	98		11.15	11.72
94⅛	91	Treas. 8pc 1991	92		8.61	11.64
106	102	Treas 12¾pc 1992‡‡	103		12.39	11.27
99½	95	Treas 10pc 1992	97		10.29	11.33
94	91	Treas. 8pc 1992 ‡‡	92		8.64	11.36
100¼	96	Treas 10½pc Cv 1992‡‡	98		10.69	11.28
85⅝	82¼	Treas. 3pc 1992	85		3.53	9.27
105	101¼	Exch. 12¼pc '92	102		11.96	11.23
109⅝	104	Exch 13½pc 1992	105		12.74	11.13
94	90	Treas 8¼pc 1993	92		8.94	10.98
100	95	Treas 10pc 1993‡‡	97		10.26	10.84
108¼	103	Treas 12½pc 1993‡‡	105		11.90	10.84
88	84¾	Funding 6pc 1993‡‡	87¼		6.89	9.96
113	108¼	Treas 13¾pc 1993‡‡	109⅞		12.52	10.75
94⅛	89¾	Treas. 8½pc 1994	91		9.24	10.82
117	112	Treas 14½pc 1994‡‡	113		12.76	10.60
113	107	Exch 13½pc 1994	109		12.31	10.77
100⅝	95	Treas. 10pc Ln. 1994‡‡	97		10.24	10.61
110¼	104	Exch. 12½pc 1994	106		11.73	10.75

Five to Fifteen Years

1989 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
96	91¼	Treas 9pc 1994‡‡	93		9.58	10.53
108	102	Treas 12pc 1995	105		11.43	10.74

BRITISH FUNDS—Contd

Over Fifteen Years

1989 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
102	94¼	Conversion 9½pc 2004	98		9.65	9.69
103	94½	Conversion 9½pc 2005	98		9.63	9.66
111¼	102	Exch. 10½pc 2005	106		9.82	9.64
125	115¾	Treas. 12½pc 2003-05	120		10.41	9.84
90⅞	82⅞	Treas. 8pc 2002-06‡‡	86		9.20	9.56
105	97	Conversion 9¾pc 2006	101		9.61	9.57
118	109	Treas. 11¾pc 2003-07	114		10.30	9.83
96	87	Treas 8½pc 2007 ‡‡	92		9.22	9.41
134⅛	123¾	Treas. 13½pc '04-08	128		10.48	9.76
101	92	Treas. 9pc 2008 ‡‡	96		9.30	9.36
92	84	Treas 8pc 2009	88		9.07	9.30
102	93	Conv 9pc Ln 2011 ‡‡	97		9.22	9.25
68⅞	62	Treas. 5½pc 2008-12‡‡	65		8.39	9.10
89⅞	82	Treas. 7¾pc 2012-15‡‡	85		9.05	9.22
132	121¼	Exch. 12pc '13-'17	126		9.52	9.27

Undated

1989 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
45⅝	41½	Consols 4pc	42¼		9.34	-
40⅛	36⅝	War Loan 3½pc‡‡	38		9.15	-
70	60⅞	Conv. 3½pc '61 Aft	65		5.38	-
41	31	Treas. 3pc '66 Aft	34¼		8.74	-
30¼	26	Consols 2½pc	27		9.24	-
29½	25¾	Treas. 2½pc	26¼		9.52	-

Index-Linked

1989 High	Low	Stock (b)	Price £	+ or -	(1)	(2)
112¾	103	Tr. 2pc '92‡‡(97.8)	112½		2.00	3.03
105	94	Do. 2 '94 (102.9)	104		2.46	3.01
155	139¼	Do. 2pc '96(67.9)	153		2.77	3.15
130	118	Do 2½pc '01(78.3)	129		3.25	3.50
127	115	Do. 2½pc '03(78.8)	126		3.33	3.55
131	117	Do 2pc '06(69.5)	130		3.38	3.56
123	110¼	Do. 2½pc '09(78.8)	121½		3.39	3.56
128	114	Do. 2½pc '11(74.6)	126		3.39	3.55
106¼	95¼	Do 2½pc '13(89.2)	105		3.38	3.52
115¾	101¼	Do. 2½pc '16(81.6)	114		3.35	3.49
112	100⅞	Do. 2½pc '20(83.0)	111		3.31	3.44
95	84	Do. 2½pc '24‡‡(97.7)	94		3.28	3.39

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base [illegible]

INT. BANK AND O'SEAS

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

1989 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
99	99	N'wide Anglia 12½pc 18.9.89	99		12.38	13.74
99	99	Do. 12pc 2.10.89	99		12.35	13.23
99	98	Do. 11pc 6.11.89	99		11.88	14.13
100	98	Do. 12pc 4.12.89	99		12.39	13.94
100	99	Do. 12pc 2.1.90	99½		12.88	13.95
100½	98¾	Do. 12pc 29.1.90	99		12.65	13.90
100	98¾	Do. 12pc 26.2.90	99		12.77	13.95
100	96	Do. 12pc 19.3.90	99		12.93	13.90
100	99⅛	Do. 13pc 23.4.90	99⅛		13.43	13.83
100	99	Do. 13pc 14.5.90	99½		13.08	13.77
100	98⅝	Do. 13pc 4/6/90	99		13.71	13.74
100	100	Do. 14pc 2.7.90	100		14.25	13.62
100¼	99	Do. 13pc 23.7.90	99		13.63	13.61
107	98½	Do. 3⅞pcIL Ln 2021	106¼		4.29	4.40

Public Board and Ind.

1989 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
47	45	Met. Wtr. 3pc 'B'	46		6.52	10.62

FOREIGN BONDS & RAILS

1989 High	Low	Stock	Price £	+ or -	Div % Gross	Red. Yield
45	40	Greek 7pc Ass.	40		3.50	f8.75
45	40	Do. 6pc 28 Stb. Ass.	40		3	f7.50
45	40	Do 4pc Mixed Ass.	40		2	f5.00
80	65	Hung. '24 Ass.	80		2.75	f3.57
139	128	Hydro Quebec 15pc 2011	133		15.00	10.94
128	118	Iceland 14½pc Ln 2016	123		14.50	11.57
97	91½	Ireland 9¾pc '91-96	92½		9.75	11.30

AMERICANS

1989 High	Low	Stock	Price £	+ or -	Div Gross	C'vr	Y'ld Gr's
41⅜	26⅛	Abbott Laboratories	41⅜	+⅛	$1.40	-	2.1
579p	361p	Allegheny & W 1c	475p		30c	-	4.0
18⅞	12	Amax $1	18½	+⅛	80c	-	2.7
11⅜	6	Ambase Corp $1	10⅛		20c	-	1.2
15	865p	Amdahl 5c	10		h10c	-	0.6
37⅞	25½	Amer. Cyanamid $5	37½		$1.35	-	2.3
24⅛	14	Amer. Express 60c	24⅛	+⅛	84c	-	2.2
16⅛	854p	Amer Medical Int. $1	15⅞		72c	-	2.9
26⅛	15¾	American T. & T. $1	26⅛	+½	$1.20	-	2.9

Continued on next page

Money Market Bank Accounts

Money Market Trust Funds

UNIT TRUST NOTES

LONDON SHARE SERVICE

● Latest Share Prices are available on FT Cityline. To obtain your free Share Code Booklet ring the FT Cityline help desk on 01-925-2128

AMERICANS—Contd

1989 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
35¼	27¾	Ford Motor $1	35¼xd	+⅛	$3.00	–	5.3
37¼	24¼	Gen. Elect. 63c	37¾	+⅞	$1.64	–	2.7
579p	460p	♥General Host Corp $1	579p	......	30c	–	3.3
39⅛	18¼	Gillette $1	29¼	+⅛	96c	–	2.1
987p	601p	Gt American Bank Bt $1	837p	......	30c	–	1.5
23⅞	16⅛	Greyhound $1½	23⅛	–⅛	$1.32	–	3.5
14½	867p	Hasbro Inc 50c	14½	......	16c	–	0.7
57½	32¼	Honeywell $1½	57½xd	+⅛	$2.10	–	2.3
21¼	15¼	Houston Inds §	21¼	......	$2.96	–	6.6
76⅛	63⅛	IBM Corpn $1¼	76⅛xd	+1⅛	$4.84	–	4.0
60p	45p	♥Image Storage/R Sys 1c	58p	+3	–	–	–
32⅛	18⅛	Ingersoll-Rand $2	32⅛xd	+⅛	$1.20	–	2.4
33¼	22½	Lockheed Crpn. $1	33⅛xd	......	$1.80	–	3.4
22⅝	15⅛	Lone Star Inds $1	22⅛xd	+⅛	$1.90	–	5.4
27⅝	17½	Louisiana Land 15c	27⅝xd	+⅛	$1.00	–	2.3
20¼	11½	Lowe's 50c	20¼	......	48c	–	1.5
26⅞	15⅛	Manuf. Hanover $1	26⅛	......	$3.28	–	7.9
22⅝	13⅛	Merrill Lynch $1	22¼	+⅛	$1.00	–	2.8
2410p	1910p	Molex Inc	2410p	+8	3.2c	–	–
27⅛	18⅛	Morgan (JP) $2½	26⅝xd	+⅛	$1.66	–	3.9
106⅛	98⅛	Morris (Philip)	106⅛	+1⅛	$4.50	–	2.7
54½	36⅛	NYNEX $1	52⅛	......	$4.36	–	5.3
44p	20p	N'wide Legal Serv.§	28p	......	–	–	–
24⅞	18¼	PHH Corp. §	24⅞	......	$1.13	–	2.8
259p	180p	♥Pacific Agr §	180p	......	–	–	–
27¼	19	Pacificorp $3¼	26⅛xd	......	$2.76	–	6.3
30¼	16⅞	Pacific Telesis 10c	30¼	......	$1.88	–	3.9
22⅛	15¼	Pall Corp 25c	21⅝	......	48c	–	1.4
55⅝	39⅞	Pennzoil 83 1/3c	54¼xd	+⅛	$3.00	–	3.5
42¼	28⅛	Quaker Oats $5	40⅛	+⅛	$1.20	–	1.9
32⅛	23½	Rep NY Corpn $5	30⅛xd	+⅛	$1.28	–	2.6
15⅛	11⅛	Rockwell Intl. $1	15⅛xd	+⅛	78c	–	3.2
29¼	22	Sears, Roebuck 75c	29¼	+⅛	$2.00	–	–
35½	21⅛	Southwestern Bell $1	35	......	$2.60	–	4.7
27⅝	17⅞	Sun Co. Inc. $1	25xd	–⅛	$1.80	–	4.6
31¼	22⅛	TRW Inc. 62½c	31¼	+⅛	$1.72	–	3.5
24⅝	14⅛	TW Services $5	24⅛	......	10c	–	0.3
39⅛	26¼	Tenneco $5	39⅛	+⅛	$3.04	–	4.9
35⅞	28	Texaco $6.25	32⅜xd	+⅛	♦$3.00	–	5.8
28⅛	21⅛	Texas Instr. $1	26¼xd	+⅛	72c	–	1.7
117½	58⅝	Time Inc. $1	88⅝	–⅛	$1.00	–	0.7
19⅝	15⅛	TRINOVA Corp	19⅛	......	68c	–	2.2
24¼	16	USX $1	22¼xd	+⅛	$1.40	–	3.9
255p	126p	♥Unilab	255p	......	–	–	–
36⅝	22½	Utd Technologies	36⅝xd	+1	$1.60	–	2.8
158p	128p	♥Utilitech Inc	155p	......	–	–	–
46½	31½	US West§	46⅛	......	$3.76	–	5.1
38⅛	22⅝	Waste Management $1	38⅛xd	+⅛	60c	–	1.0
20⅛	13½	Whirlpool $1	20⅛	......	$1.10	–	3.4
24⅛	16⅞	Whitman Corp	21⅝	–⅛	$1.02	–	3.0
44⅞	28⅛	♥Woolworth $3½	44⅞	+⅛	$1.88	–	2.7

CANADIANS

1989 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
168p	129p	♥ABM Gold Corp §	163½p	......	–	–	–
25½p	4½p	♥Abbot Energy Corp	25p	......	–	–	–
16½	902p	♥Amer Barrick Res	15	......	–	–	–
28p	10½p	♥Armeno	16p	......	–	–	–
		For Asiamerica see Asiamerica Eq. (Americans)					
33¼p	8½p	♥Augmitto Expln.	17p	......	–	–	–
18⅝	12⅞	Bk. Montreal §	18⅝	......	$2.12	–	6.3
10⅝	655p	Bk. Nova Scot.§	10	......	92c	–	5.0
821p	599p	♥BC Gas $1	786p	......	60c	–	4.1
22⅞	17	BCE §	22⅞	......	$2.44	–	5.8
848p	570p	♥Bow Valley§	749p	......	♦40c	–	2.9
[illegible]							

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES—Contd

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.)—Contd

[illegible]

INDUSTRIALS (Miscel.)—Contd.

[illegible]

INSURANCES

[illegible]

LONDON SHARE SERVICE

● Latest Share Prices are available on FT Cityline. To obtain your free Share Code Booklet ring the FT Cityline help desk on 01-925-2128

LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PAPER, PRINTING, ADVERTISING – Contd

[illegible]

PROPERTY

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES – Contd

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND – Contd

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS – Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

Tins

[illegible]

MINES – Contd

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

[illegible]

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.
Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- ° Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ✣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Not officially listed.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ◆ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♠ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend: cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.
Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

Stocks previously listed under Shipping are now included in the Transport sector, as are others heretofore dispersed under several other headings.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p ... γ	96	....
Craig & Rose £1 ... γ	830	......
Finlay Pkg 5p ... γ	86	...
Holt (Jos) 25p ... γ	1345	+13

IRISH

Cap 8½% Ln 1991. γ	£97½	–¼
9pc Cap Ln. 1996 γ	£99	......
Fin. 13% 97/02 . γ	£119	....
Arnotts ... γ	420	......
Carrol (P.J.) ... γ	155	–5
Hall (R. & H.) ... γ	172	......
Heiton Hldgs. ... γ	92xd	......
Irish Ropes ... γ	212	....
United Drug ... γ	148	......

TRADITIONAL OPTIONS

3-month call rates

Industrials

	p
Allied-Lyons ... γ	38
Amstrad ... γ	11
BAT ... γ	80
BOC Grp ... γ	42
BSR ... γ	6½
BTR ... γ	32
Barclays ... γ	42
Blue Circle ... γ	24
Boots ... γ	25
Bowaters ... γ	44
Brit Aerospace ... γ	52
British Steel ... γ	7½
Brit. Telecom ... γ	21
Burton Ord ... γ	18
Cadburys ... γ	46
Charter Cons ... γ	48
Comm Union ... γ	32
Courtaulds ... γ	30
FKI ... γ	14
FNFC ... γ	22
Gen Accident ... γ	85
GEC ... γ	20
Glaxo ... γ	110
Grand Met ... γ	48
GUS 'A' ... γ	90
Guardian ... γ	18
GKN ... γ	34
Hanson ... γ	16
Hawker Sidd. ... γ	60
ICI ... γ	100
Jaguar ... γ	28
Ladbroke ... γ	26
Legal & Gen ... γ	26
Lex Service ... γ	33
Lloyds Bank ... γ	29
Lucas Inds ... γ	58
Marks & Spencer ... γ	15
Midland Bk ... γ	30
Morgan Grenfell ... γ	24
Nat West Bk ... γ	25
P & O Dfd ... γ	55
Plessey ... γ	22
Polly Peck ... γ	26
Racal Elect ... γ	20
RHM ... γ	42
Rank Org Ord ... γ	80
Reed Intnl ... γ	34
STC ... γ	32
Sears ... γ	10
Smithkline Bchm 'A' ... γ	50
TI ... γ	38
TSB ... γ	10
Tesco ... γ	14
Thorn EMI ... γ	58
Trust Houses ... γ	24
T&N ... γ	18
Unilever ... γ	46
Vickers ... γ	18
Wellcome ... γ	42

Property

Brit Land ... γ	32
Land Securities ... γ	52
MEPC ... γ	50
Randsworth ... γ	28

Oils

Brit Petroleum ... γ	21
Burmah Oil ... γ	50
Calor ... γ	35
Charterhall ... γ	2½
Premier ... γ	9
Shell ... γ	32
Ultramar ... γ	26

Mines

Cons Gold ... γ	150
Lonrho ... γ	30
RTZ ... γ	40

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £935 per annum for each security.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar up despite intervention

CO-ORDINATED CENTRAL Bank intervention was only partially successful in stemming the dollar's rise yesterday. The US Federal Reserve was followed by 12 other central banks in selling dollars. The rise started in Far East markets despite intervention by the Bank of Japan estimated as at least $500m.

The firmer tone came after comments from leading bankers in the US expressing concern about the possible need for higher interest rates to control inflation. This was seen as providing a thinly veiled excuse for buying the US unit anyway. Comments such as these do not necessarily reflect Fed policy but were enough to spark off further dollar gains.

The US unit broke through resistance levels in Tokyo, and many traders expected a resulting sell off and had taken short positions accordingly. However, there was no sell off, and in the scramble to cover short positions, the US unit was pushed through resistance levels.

The firmer tone continued after the start of trading in London, and the US unit broke through the DM1.99 level but failed to hold above resistance at DM1.9920. At this point, most investors were holding back, waiting for the start of trading in New York after the long weekend break. But central banks took advantage of the market's hesitancy, sensing that the lack of any further advancement reflected caution and indecision. Nevertheless, the intervention by most central banks failed to dampen enthusiasm, and the dollar managed to finish close to the day's high at DM1.9910 from DM1.9875 and Y147.05 from Y145.90. Elsewhere, it closed at SFr1.7180 from SFr1.7095 and FFr6.7125 compared with FFr6.6725. On Bank of England figures, the dollar's exchange rate index rose to 72.7 from 72.2.

Sterling suffered at the hands of a stronger dollar and also lost ground against the D-Mark and other EMS currencies. The pound fell through support levels at $1.5450 and $1.5425, and is now expected to trade down to a floor level of $1.5225. There were no fresh economic factors to influence trading, and yesterday's decline tended to add weight to the argument that sterling has recently been a convenient parking lot for funds, in the absence of a better trading opportunity. High interest rates are a supporting factor but tend to be ignored if there is a stronger and quicker capital gain to be made elsewhere.

On Bank of England figures, the pound's exchange rate index closed at 90.7, down from 91.0 at the opening and 91.2 on Monday. Against the dollar, sterling fell to $1.5380 from $1.5540 and DM3.0625 compared with DM3.0750. It was also lower in yen terms at Y226.25 from Y226.75. Elsewhere, it finished at SFr2.6425 from SFr2.6575 and FFr10.3250 from FFr10.3700.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Sep.5	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.4243	+2.28	+1.11	±1.5424
Danish Krone	7.85212	8.06031	+2.65	+1.48	±1.6419
German D-Mark	2.05853	2.07610	+0.85	-0.32	±1.1019
French Franc	6.90403	7.00335	+1.44	+0.27	±1.3719
Dutch Guilder	2.31943	2.34013	+0.89	-0.28	±1.5019
Irish Punt	0.768411	0.777908	+1.24	+0.07	±1.6689
Italian Lira	1483.58	1487.93	+0.29	-0.29	±4.0815
Spanish Peseta	133.804	129.612	-3.13	-	-

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

[illegible]

STERLING INDEX

[illegible]

CURRENCY RATES

[illegible]

CURRENCY MOVEMENTS

[illegible]

OTHER CURRENCIES

	£	$
[illegible]	[illegible]	[illegible]
Malaysia	4.1625 - 4.1730	2.7045 - 2.7065
Mexico	3960.35 - 3964.50	2570.00 - 2580.00
N. Zealand	2.6170 - 2.6230	1.6985 - 1.7015
Saudi Ar.	5.8010 - 5.8065	3.7500 - 3.7510
Singapore	3.0535 - 3.0585	1.9790 - 1.9810
S. Af (Cm)	4.3145 - 4.3250	2.8005 - 2.8030
S. Af (Fn)	6.1760 - 6.3015	4.0000 - 4.0815
Taiwan	41.15 - 41.75	25.75 - 25.85
U.A.E.	5.6805 - 5.6860	3.6720 - 3.6730

*Selling rate

POUND SPOT- FORWARD AGAINST THE POUND

Sep.5	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.5375 - 1.5470	1.5375 - 1.5385	0.70-0.67cpm	5.34	1.89-1.85pm	4.86
Canada	1.8180 - 1.8300	1.8180 - 1.8190	0.36-0.27cpm	2.08	0.84-0.71pm	1.70
Netherlands	3.44¼ - 3.46¼	3.44½ - 3.45½	2-1⅞cpm	6.74	5½-5⅛pm	6.30
Belgium	63.95 - 64.35	64.00 - 64.10	35-30cpm	6.09	90-83pm	5.40
Denmark	11.87¼ - 11.92½	11.87¼ - 11.88¼	5⅛-4¼orepm	5.11	13¼-12½pm	4.37
Ireland	1.1465 - 1.1520	1.1490 - 1.1500	0.45-0.40cpm	4.44	1.20-1.10pm	4.00
W. Germany	3.05 - 3.07¼	3.05¾ - 3.06¾	1⅞-1¾pfpm	7.10	5-4⅞pm	6.44
Portugal	254.70 - 256.70	254.70 - 255.70	21-39cdis	-1.41	12-21dis	-0.26
Spain	191.05 - 192.15	191.15 - 191.45	6-16cdis	-0.69	17-29dis	-0.48
Italy	2192¼ - 2202¼	2194½ - 2195½	5-3lirepm	2.19	10-7pm	1.55
Norway	11.11½ - 11.17½	11.11¼ - 11.12¼	3⅛-2½orepm	3.16	8½-7¼pm	2.92
France	10.31¼ - 10.36½	10.32 - 10.33	4½-4¼cpm	5.08	12¼-11½pm	4.58
Sweden	10.29½ - 10.36½	10.29½ - 10.30½	2½-1⅞orepm	2.54	6⅛-5⅝pm	2.32
Japan	225⅞ - 227½	225¾ - 226¾	1⅞-1¾ypm	9.61	4¾-4⅝pm	8.28
Austria	21.54 - 21.60	21.54 - 21.57	13⅝-12⅝gropm	7.31	35¾-33⅝pm	6.44
Switzerland	2.63¾ - 2.65½	2.63¾ - 2.64¾	1½-1⅜cpm	6.52	4¼-4pm	6.24
ECU	1.4730 - 1.4775	1.4760 - 1.4770	0.59-0.56cpm	4.67	1.50-1.45pm	4.00

Commercial rates taken towards the end of London trading. Belgian rate is convertible francs. Financial franc 64.10-64.20. Six-month forward dollar 3.63-3.58cpm 12 months 6.50-6.40cpm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Sep.5	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.5375 - 1.5470	1.5375 - 1.5385	0.70-0.67cpm	5.34	1.89-1.85pm	4.86
Ireland†	1.3400 - 1.3460	1.3400 - 1.3410	0.11-0.07cpm	0.81	0.47-0.37pm	1.25
Canada	1.1795 - 1.1845	1.1810 - 1.1820	0.31-0.34cdis	-3.29	0.92-0.97dis	-3.19
Netherlands	2.2340 - 2.2465	2.2420 - 2.2430	0.32-0.30cpm	1.66	0.82-0.78pm	1.43
Belgium	41.30 - 41.70	41.60 - 41.70	3.50-2.00cpm	0.79	7.00-4.00pm	0.53
Denmark	7.68¼ - 7.73¼	7.72 - 7.72½	par-0.25oredis	-0.19	0.80-1.20dis	-0.52
W. Germany	1.9775 - 1.9930	1.9905 - 1.9915	0.33-0.30pfpm	1.90	0.82-0.78pm	1.61
Portugal	165.90 - 166.30	166.20 - 166.30	50-60cdis	-3.98	190-215dis	-4.88
Spain	123.85 - 124.30	124.05 - 124.15	62-72cdis	-6.48	166-175dis	-5.48
Italy	1420 - 1427½	1426¼ - 1427¼	3.70-4.20liredis	-3.33	11.30-12.30dis	-3.31
Norway	7.20½ - 7.24	7.23 - 7.23½	1.15-1.40oredis	-2.11	3.50-3.80dis	-2.02
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EURO-CURRENCY INTEREST RATES

[illegible]

EXCHANGE CROSS RATES

Sep.5	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
[illegible]										
S Fr.	0.378	0.582	1.159	85.51	3.908	1	[illegible]	[illegible]	[illegible]	[illegible]
H Fl.	0.290	0.446	0.888	65.51	2.994	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Lira	0.456	0.701	1.395	103.0	4.706	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
C $	0.550	0.846	1.685	124.3	5.682	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B Fr.	1.561	2.401	4.782	352.8	16.13	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

MONEY MARKETS

London rates firm

A WEAK pound pushed interest rates slightly higher on the London money market yesterday. Overnight money remained firm at 14-13⅞ per cent, despite a surplus of day-to-day credit in London. Three-month interbank rose to 14$\frac{1}{32}$-14 per cent from 14-13$\frac{15}{16}$ per cent.

The Bank of England initially forecast a money market credit surplus of £100m, but revised this to a surplus of £50m at noon and to a flat credit position in the afternoon. There was no intervention by the authorities during the day.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £297m, with bank balances below target absorbing £60m. This factors were roughly balanced by Exchequer transactions adding £355m to liquidity and a fall in the note circulation of £115m.

In New York there was no sign the Federal Reserve had changed its target rate for Federal funds from 9 per cent. The US authorities drained money from the banking system, through overnight matched sale and repurchase agreements, when Federal funds were trading at 8$\frac{15}{16}$ per cent. This was not totally unexpected, although some economists had suggested the Fed was likely to stay out of the market.

In Frankfurt call money was unchanged at 6.90 per cent. The West German Bundesbank has offered liquidity to the banking system via a two-tranche securities repurchase agreement tender this week. Funds will be available via 28-day and 57-day agreements at variable bid rates, to replace DM23.3bn draining from the market as an earlier pact expires.

The market expects the central bank to be reasonably generous with its allocation of funds at the tender, possibly providing a slight surplus to counter tax payments and money flowing out to buy a Federal Government bond.

A meeting of the Bundesbank council takes place tomorrow, but is not expected to result in higher official interest rates. The strength of the dollar is regarded as worrying, but West German consumer prices fell 0.1 per cent in August from July, taking the year-on-year inflation rate down to 2.9 per cent from 3.0 per cent.

At the same time the German economy remains very strong, with growth in Gross National Product likely to exceed 4 per cent this year, according to the Bundesbank, the highest level of the decade. It was announced yesterday that GNP growth last year had been revised up to 3.6 per cent from 3.4 per cent.

UK clearing bank base lending rate
14 per cent
from May 24

FT LONDON INTERBANK FIXING

[illegible]

MONEY RATES

[illegible]

LONDON MONEY RATES

[illegible]

FINANCIAL FUTURES

Short sterling weaker

SHORT STERLING fell through technical support at 86.40 for December delivery on Liffe yesterday. It also temporarily breached the next support level of 86.35, touching a low of 86.32, before closing at 86.36 compared with 86.44 previously.

The Liffe market was more active yesterday, trading over 21,000 lots for December short sterling, suggesting that there is an increased willingness to become involved in the market and that sentiment is becoming increasingly bearish, as far as sterling instruments are concerned.

A weakening of the pound put downward pressure on short sterling futures, leading to suggestions that the December contract could fall to 86.12 in the next few days. This view was reinforced by the failure of co-ordinated central bank intervention to halt the advance of the dollar. Strength of the US currency was regarded as a potential problem for sterling based contracts, with traders noting a lack of technical support for the pound between $1.5400 and $1.5150. Sterling lost over 1¼ cents to close at $1.5380 on the London foreign exchange market yesterday.

December long gilt futures opened at 95-01 on Liffe and fell to a low of 94-20, before finishing at 94-28, against 95-09 on Monday.

LIFFE / LONDON (LIFFE) / CHICAGO futures and options tables

[illegible]

BASE LENDING RATES

[illegible]

EUROPEAN OPTIONS EXCHANGE

[illegible]

JOTTER PAD

CROSSWORD

No.7,030 Set by DANTE

ACROSS

1 Touched for a drink (6)
4 Four in new search for records (8)
9 Individual away from work, just this once (3-3)
10 Class-mate? Precisely! (8)
12 Indicate that the score is not quite accurate (5,3)
13 Effect of deed on naughty child (6)
15 Attack is excellent, in a way (4)
16 He contributes to the liquid assets of a bank (6,5)
19 Guess the meaning of this word (10)
20 Ruler of note (4)
23 List in new guide (6)
25 How, initially, ownership may be established (8)
27 End of the new tram line (8)
28 Very light colour (6)
29 Denial in the form of no eating (8)
30 Praise for old Iran (6)

DOWN

1 One who swears or turns into a drunkard (7)
2 Summary I get on accuracy (9)
3 Spent two notes at the carnival (6)
5 It features in botany and arithmetic (4)
6 House completed but not bought (4-4)
7 Home team (5)
8 Dishonourable person retiring to rest, perhaps (7)
11 Property of the upper class (7)
14 Short fight for charity (4,3)
17 Extremely wicked but safe in our disguise (9)
18 Female freedom fighter in F. Times puzzle (8)
19 Study elevation in a suspension bridge (7)
21 Country where men burst into song (7)
22 It's paid respectfully (6)
24 Twig a starting price swindle (5)
26 An overhead light (4)

Solution to Puzzle No.7,029

ALPINE FLOWER
CAPITAL OFFENCE
REDUNDANCY PIPE
MIAMI DREADFUL
STREAKER BADGE
CHOP ABERDONIAN
BEDEVIL BIBELOT
SESAME AGENDA

WORLD STOCK MARKETS

AUSTRIA · BELGIUM/LUXEMBOURG · DENMARK · FINLAND · FRANCE · GERMANY · ITALY · NETHERLANDS · NORWAY · SPAIN · SWEDEN · SWITZERLAND · SOUTH AFRICA · JAPAN · AUSTRALIA · HONG KONG · SINGAPORE

[illegible]

INDICES

NEW YORK — DOW JONES

	Sep 1	Aug 31	Aug 30	Aug 29	1989 High	1989 Low	Since compilation High	Since compilation Low
♦Industrials	2752.09	2737.27	2728.15	2726.63	2752.09 (1/9)	2144.64 (3/1)	2752.09 (1/9/89)	41.22 (2/7/32)
Home Bonds	93.18	93.05	93.12	93.16	94.15 (2/8)	87.35 (23/3)	–	–
Transport	1526.32	1509.42	1529.52	1506.58	1529.52 (30/8)	959.95 (3/1)	1529.52 (30/8/89)	12.32 (8/7/32)
Utilities	218.62	217.30	217.05	217.74	221.64 (8/8)	181.84 (24/2)	227.83 (22/1/87)	10.50 (8/4/32)

♦Day's High 2766.91 (2744.68) Low 2726.82 (2717.90)

STANDARD AND POOR'S	Sep 1	Aug 31	Aug 30	Aug 29	1989 High	1989 Low	Since compilation High	Since compilation Low
Composite ‡	353.73	351.46	350.65	349.84	353.73 (1/9)	275.31 (3/1)	353.73 (1/9/89)	4.40 (1/6/32)
Industrials	405.27	402.85	401.92	401.06	405.27 (1/9)	318.66 (3/1)	405.27 (1/9/89)	3.62 (21/6/32)
Financial	33.49	33.26	33.19	33.16	33.59 (7/8)	24.30 (3/1)	33.59 (7/8/89)	6.64 (1/10/74)
NYSE Composite	196.37	195.27	194.92	194.47	196.37 (1/9)	154.98 (3/1)	196.37 (1/9/89)	4.46 (25/4/42)
Amex Mkt. Value	383.96	382.19	381.58	380.94	383.96 (1/9)	305.24 (3/1)	383.96 (1/9/89)	29.31 (9/12/72)
NASDAQ Composite	471.34	469.33	468.27	466.57	471.34 (1/9)	378.56 (3/1)	471.34 (1/9/89)	54.87 (31/10/72)

	Aug 25	Aug 18	Aug 11	year ago (approx.)
Dow Industrial Div. Yield	3.39	3.44	3.43	3.80
	Aug 30	Aug 23	Aug 16	year ago (approx.)
S & P Industrial div. yield	2.83	2.88	2.87	3.30
S & P Indl. P/E ratio	14.67	14.40	14.44	13.57

TRADING ACTIVITY † Volume Millions

	Sep 1	Aug 31	Aug 30
New York	133.300	143.420	174.350
Amex	12.587	13.069	14.545
OTC	113.463	117.756	121.701

NEW YORK	Sep 1	Aug 31	Aug 30
Issues Traded	1,935	1,967	1,957
Rises	891	780	795
Falls	481	655	646
Unchanged	563	532	516
New Highs	122	80	100
New Lows	11	12	11

CANADA

TORONTO	Sep 1	Aug 31	Aug 30	Aug 29	1989 High	1989 Low
Metals & Minerals	3919.2	3911.5	3910.8	3885.3	3919.2 (1/9)	3207.5 (3/1)
Composite	4014.6	4010.2	4009.1	3991.4	4019.7 (10/8)	3350.5 (6/1)
MONTREAL Portfolio	2053.80	2046.71	2048.74	2037.59	2053.80 (1/9)	1677.48 (3/1)

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
Gen Motors	2,010,600	49⅞	+ ⅞	Exxon	1,493,300	44	+ ¼
Niag Mohawk	1,945,700	12¾	+ ⅛	Texas Utilities	1,470,300	32⅛	+ ⅛
Bristol Myers	1,696,100	50⅛	+ ⅜	Upjohn	1,446,700	40	+ ⅞
AMR Corp	1,604,500	89⅞	+ 1⅞	Union Carbide	1,367,500	30⅞	– ¼
Am T & T	1,524,500	40¼	+ ¼	Reebok Intl	1,351,600	16½	+ ½

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Sep. 5	Sep. 4	Sep. 1	Aug. 31	1989 High	1989 Low
AUSTRALIA						
All Ordinaries (1/1/80)	1778.0	1763.9	1748.8	1763.2	1781.8 (29/8)	1412.9 (7/4)
All Mining (1/1/80)	873.1	861.9	846.8	858.2	875.1 (29/8)	652.6 (7/4)
AUSTRIA						
Credit Aktien (30/12/84)	433.21	427.95	424.39	429.52	438.04 (30/8)	219.5 (2/1)
BELGIUM						
Brussels SE (1/1/80)	6576.99	6529.47	6509.03	6490.81	6676.99 (5/9)	5519.30 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	333.65	335.78	335.20	334.99	356.65 (12/7)	275.49 (27/2)
FINLAND						
Unitas General (1975)	744.8	753.7	762.6	771.1	815.8 (18/4)	723.3 (4/1)
FRANCE						
CAC General (31/12/82)	534.8	531.6	526.4	523.0	534.8 (5/9)	417.9 (4/1)
Ind. Tendance (30/12/88)	125.1	125.1	123.4	125.1	125.1 (31/8)	97.5 (27/2)
GERMANY						
FAZ Aktien (31/12/58)	680.12	673.35	665.95	659.7	680.12 (5/9)	535.78 (27/2)
Commerzbank (1/12/53)	2036.9	2016.5	1995.7	1975.3	2036.9 (5/9)	1595.7 (27/2)
DAX (30/12/87)	1637.47	1623.98	1608.33	1597.85	1637.47 (5/9)	1271.70 (23/2)
HONG KONG						
Hang Seng Bank (31/7/64)	2572.41	2550.25	2508.91	2508.57	3309.64 (15/5)	2093.61 (5/6)
ITALY						
Banca Com. Ital. (1972)	729.95	728.82	734.12	734.84	734.84 (31/8)	577.49 (28/2)
JAPAN						
Nikkei (16/5/49)	34441.95	34483.78	34348.22	34431.2	35140.83 (21/8)	30183.79 (5/1)
Tokyo SE (Topix) (4/1/68)	2613.34	2614.59	2602.51	2603.38	2659.08 (21/8)	2366.91 (6/1)
NETHERLANDS						
CBS Ttl Rtn.Gen.(End 1983)	265.8	263.3	264.1	264.6	266.2 (17/8)	208.3 (3/1)
CBS All Shr (End 1983)	206.0	204.0	204.7	205.1	207.0 (17/8)	166.7 (1/3)
NORWAY						
Oslo SE (2/1/83)	671.68	673.81	673.51	679.36	679.36 (31/8)	467.17 (2/1)
SINGAPORE						
Straits Times Ind. (30/12/66)	1388.08	1382.28	1363.73	1356.01	1388.08 (5/9)	1030.69 (4/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1525.0♦	1527.0	1556.0	1571.0	1685.0 (3/8)	1291.0 (15/2)
JSE Industrial (28/9/78)	2793.0♦	2794.0	2818.0	2828.0	2838.0 (25/8)	1961.0 (3/1)
SPAIN						
Madrid SE (30/12/85)	325.42	325.20	322.46	320.18	325.42 (5/9)	268.61 (1/3)
SWEDEN						
Jacobson & P. (31/12/56)	4511.7	4497.4	4569.9	4582.3	4660.3 (16/8)	3333.9 (3/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	825.6	823.0	817.0	816.4	825.8 (28/8)	613.1 (3/1)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	534.5	534.9	535.2	551.2 (3/8)	487.6 (13/6)

♦ Subject to official recalculation.

Base values of all indices are 100 except Brussels SE and DAX – 1,000 JSE Gold – 255.7 JSE Industrials – 264.3 and Australia. All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

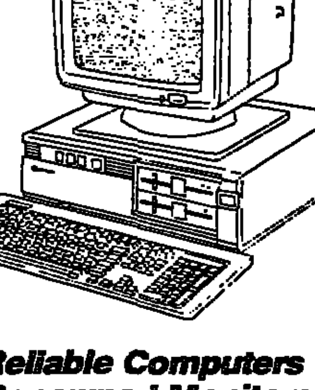
TOKYO - Most Active Stocks
Tuesday September 5 1989

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Eisai	16.7m	2,500	+230	Yakult	7.3m	5,000	+250
Sony	10.9m	8,950	+150	Hitachi Seiki	6.0m	1,200	+20
Sumitomo Metal	10.0m	772	-8	Yamazaki	5.8m	2,130	+120
Nippon F&M	9.9m	1,570	+20	MHI	5.6m	1,150	0
Nippon Steel	8.8m	799	0	Keisei Rlwys	5.5m	2,900	-60

2pm prices September 5

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
35	21¾	AAR	.44	1.2	23	94	u35¼	34⅝	35¼	+ ⅝
10⅛	5⅛	ACM n	1.01	11.		151	9½	9¼	9⅜	
11⅝	10¼	ACMIn	1.26a	11.		174	11⅝	11½	11½	
10⅛	9½	ACM M	n1.01	11.		133	9¼	9⅛	9⅛	
11½	10	ACM Sc	1.26	11.		690	11⅜	11¼	11¼	– ⅛
9⅜	8⅝	ACMSp	1.01	11		225	9¼	9⅛	9⅛	– ⅛
18	11½	AL Lab	.12	.7	18	457	17	15¾	16¾	+1⅛
4⅛	3⅛	AMCA	.12e	3.2	25	30	3¾	3¾	3¾	
6⅛	4½	AM Intl				1584	5⅜	5¼	5¼	– ⅛
23½	20⅝	AM In pf	2	9.0		78	22⅝	22¼	22¼	
96	43⅞	AMR			10	9485	91⅝	80½	91⅛	+1⅜
27	25	ANR pf	2.67	10.		2	25½	25½	25½	
7½	3⅝	ARX				53	4⅛	4	4⅛	
44⅛	35½	ASA	3a	7.0		168	42⅞	42½	42⅝	– ⅛
22⅝	15¾	AVX	.24	1.2	9	355	20⅛	20	20	
66	44⅛	AbtLab	1.40	2.2	18	1447	64¼	63⅞	64	
18¼	13¾	AbitiBr g	1			3	15	15	15	
13	7½	AcmeC	.40	3.6		50	11	11	11	– ⅛
9¾	5⅝	AcmeE	.32	3.4	11	20	9½	9⅜	9⅜	
34⅞	20¼	Acusn			24	102	34	33⅝	33⅞	+ ⅛
16⅞	14¼	AdaEx	1.82e	11		119	16⅞	16⅞	16⅞	+ ⅛
12⅝	6½	Adobe				92	12½	12⅜	12⅜	– ⅛
21⅝	19⅞	Adob pf	2.40	11		24	21¼	21⅛	21¼	+ ⅛
11¾	7⅛	AMD				2817	8½	8⅜	8⅜	– ⅛
10⅞	6⅝	Advest	.12	1.3	18	271	9⅝	9	9⅝	+ ⅛
60⅛	46	AetnLf	2.76	4.8	9	576	58¼	57¼	58	– ⅛
14	12⅞	AhlPb				332	13½	13⅜	13⅜	– ⅛
23¾	15⅛	Ahmans	.88	4.0	11	1112	22⅝	22⅛	22¼	
4½	2⅛	Aileen				510	3½	3	3⅛	+ ⅛
48¼	37¾	AirPrd	1.32	2.8	12	1083	48½	47⅜	47¾	– ½
37⅞	18¼	AirbFrt	.60	1.6	24	47	37¼	37	37¼	+ ⅛
25⅛	13⅝	Airgas			14	6	23⅛	23¼	23⅛	+ ⅛
20½	18	Airlease	2.40	12.	9	18	20¼	20⅛	20¼	+ ⅛
10	8½	AlaP	dpf.87	9.2		7	9½	9½	9½	
30½	19	AlskAir	.20	.7	10	240	28⅞	28⅛	28⅛	
[illegible]										



Continued on Page 51

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]										
10⅜	8⅞	ZenInc	1.26	14.		62	9¼	9⅛	9¼	
2¼	1⅛	viZenLb				355	1½	1⅜	1⅜	
21½	15	ZenNtl	.84	4.2	9	34	19⅞	19½	19⅞	+ ⅜
17⅞	11¾	Zero s	.40	2.2	17	248	u18	17⅝	17⅞	+ ¼
44¼	23¼	Zurnin	.68	1.7	20	96	40½	40¼	40¼	− ½
12	10	Zweig	1.09e	9.4		282	11⅝	11½	11⅝	+ ⅛
10⅛	8¾	Zweig n	.96	10.		717	9⅞	9⅝	9⅝	

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

2pm prices September 5

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							

OVER-THE-COUNTER

Nasdaq national market, 2pm prices September 5

Stock	Div.	Sales 100s	High	Low	Last	Chng
[illegible]						

AMERICA

Dow retreats from record amid interest rate fears

Wall Street

A LOWER bond market and concerns about interest rates eventually pushed equity market lower after the Dow had held steady at record high levels for most of the morning, *writes Janet Bush in New York.*

At 2 pm, the Dow Jones Industrial Average stood 9.88 points lower at 2,742.21 but volume was low with only 87m shares changing hands by early afternoon. Other important indices were narrowly mixed in quiet trading.

The question now facing the market is whether it can advance independently from Treasuries purely on the basis that increasingly nervous investors, who have missed out on the equity market's considerable rally, will feel compelled to commit new funds to stocks.

Last week was the ninth in a row that the Dow went up, the longest winning streak since the period from July to October, 1955, when the index rose for 14 weeks in a row.

According to Mr Newton Zinder, technical equity strategist at Shearson Lehman Hutton, the market's gains late last week suggested that it was readying itself for a further rally in spite of the interest rate background.

The bond market was weak on a US press report that some of the US Federal Reserve's regional bank governors were beginning to think about whether interest rates should be raised in response to evidence of more robust growth than previously thought.

The report was published after Friday's employment figures for August and upward revisions in June and July which suggested considerable resilience in the labour market.

Also released on Friday was the latest purchasing managers' report on economic activity which pointed to continued weakness in the manufacturing sector. On Friday, the purchasing managers' report appeared to have more weight with the bond market than the jobs figures but Friday's employment release started to take its toll yesterday.

Belief that interest rates will not fall further and may even rise fuelled a significant dollar rally and prompted a round of coordinated central bank dollar sales including intervention by the Fed.

UAL was again in focus yesterday, rising $5¼ to $292½ on reports that Mr Marvin Davis was trying to enlist help from foreign airlines to top the $7.75bn bid from the British Airways consortium. British Airways shares traded on the New York Stock Exchange added $1⅛ to $34¾. Among US carriers, AMR rose $1⅞ to $91⅞ and Delta $1½ to $81½.

Johnson & Johnson rallied another $⅝ to $54¼, adding to its gains late last week, on continuing takeover rumours, reports of its research in an anti-AIDS drug and talk that Federal regulators are about to approve one of its drugs.

Occidental Petroleum, which went ex dividend, rose $⅛ to $29⅝. The company said it was restructuring its domestic oil and gas operations and would cut 900 jobs to help make savings of nearly $100m a year.

Among blue chip stocks IBM added $1⅛ to $118½, Proctor & Gamble fell $¾ to $127⅝ and Philip Morris gained $1⅜ to $165⅝.

Canada

THE FALL of stocks yesterday morning was mostly attributed to the drop in the price of shares of nickel miner, Falconbridge which fell C$1⅛ to C$36⅞.

Among other mining issues Inco fell C$⅝ to C$43¼, Noranda C$⅝ to C$28½, Cominco C$⅞ to C$30⅛, and Alcan C$⅜ to C$29.

The composite index shed 12.73 to 4001.3, with declines ahead of advances 251 to 198 on a volume of 13.3m shares.

Traders said it was likely to be the end of this week or early next week before the market gets serious about moving one way or another.

EUROPE

Frankfurt scales new peak while Paris consolidates

THE fast pace continued in West Germany, and there were strong gains in Amsterdam and Brussels, *writes Our Markets Staff.*

FRANKFURT defied those who felt consolidation was overdue, the FAZ index rising 6.77 to 680.12, its highest level in more than two years. There was more action in construction where Hochtief put on DM25 to DM875 and Holzmann climbed DM20 to DM1,070 on the influx of East German refugees: but blue chips were the big business.

Taking its line from a 4.9 per cent jump in West German GNP growth in the second quarter, market volume surged from DM6.1bn to DM7.3bn. The DAX index made a new high of 1,637.47, up 13.47.

Market strategists say that even with a stronger dollar in the equation, the threat of an early increase in interest rates has receded. Foreign investors were clearly in accord with this and active buying came from Britain, Switzerland and Japan.

Siemens was in particular favour, rising DM12.20 to DM605.50 in turnover more than doubled from DM232m to DM518m. Volkswagen rose only 70 pfg to DM497 but this was in turnover up from DM472m to DM542m. Blue chips like VW were in danger last week of piercing resistance levels on the way down; this week they are hitting them on the way up.

PARIS took a breather and prices moved little, but the market was full of news which pushed individual stocks.

The success of the takeover bid by Suez for Compagnie Industrielle and Groupe Victoire signalled an end to a period of speculative excitement in the insurance sector, but other events arrived swiftly to attract investors' attention.

Suez itself closed FFr4 lower at FFr363 after an initial rally on the news, and Navigation Mixte, which has a stake in Industrielle, shed FFr62 to FFr1,121 after recent gains.

News came from Bouygues, the leading construction company, that Mr Francis Bouygues, the 66-year-old chairman, was resigning to hand over to his son, Martin. Although a handover had been long rumoured, it came sooner than expected and the shares ended FFr8 lower at FFr757 amid uncertainty about how well the son would fill his charismatic father's shoes.

A 40 per cent rise in first half profits from Elf Aquitaine was at the top end of expectations and set the ball rolling for several weeks of interim results. Elf gained FFr13 to FFr531.

Valeo, the car components maker, gained FFr33 to FFr921 following a company forecast of 1989 earnings of at least FFr1bn and a favourable reception for the group's acquisition of Blackstone of the US, which makes car equipment including air conditioners.

The OMF 50 index shed 0.61 to 528.64, while the CAC General, reflecting Monday's trade, rose 3.2 to a new high of 534.8. Volume was thought to be about FFr2bn.

AMSTERDAM surprised some observers by rising strongly on the day before the general election, when a nervous, quiet session had been expected. The CBS tendency index climbed 2.1 to 192.1 in healthy turnover worth Fl 885m, up from Monday's low Fl 490m.

The market was helped by the strength of the German bourse and by growing optimism that the centre-right coalition would hold its own in the polls.

Financials starred, with Aegon, the insurer, rising Fl 3.30 to Fl 112.30 and NMB bank rising Fl 2.90 to Fl 274.

MILAN ended mixed as the suspension of Banca Nazionale del Lavoro (BNL) dampened interest. The Comit index closed 1.13 higher at 729.95.

BNL was suspended by the regulatory agency Consob in the wake of the growing financial scandal at its US branch in Atlanta, Georgia. On Monday BNL savings shares fell 9.7 per cent to L14,900 from L16,500.

ZURICH saw the Credit Suisse index up 1.2 to 669.6. Kleinwort Benson is looking for better things – saying that inflation looks unlikely to rise from its present 3 per cent, interest rates are no longer under pressure and the market has just begun to enjoy a revival after months of being held in abeyance.

MADRID ended little changed as profit-taking mingled with fresh buying, but there was optimism about an imminent break through the all-time high of 328.36, reached on October 6, 1987. The index closed up 0.17 at 325.42.

STOCKHOLM picked up from early losses to close virtually unchanged in moderately active trade focused on Saab following its figures on Monday and the simultaneous announcement of its talks with Ford. The news put an end to rumours about the car division and Saab free B-shares rose SKr3 to SKr221.

BRUSSELS ended at a record high as investors bought Société Générale de Belgique, which finished BFr115 higher at BFr3,665, and the steel sector.

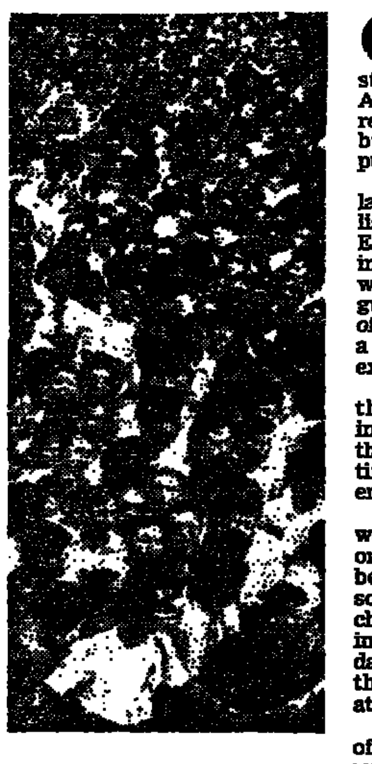
The main forward market index started the new two-week trading account by jumping 67.74 to 6,540.38.

HELSINKI stocks fell sharply again, after a similar slump on Monday, with investors concerned about Finland's rising interest rates.

The Unitas all-share index fell 1.2 per cent to 744.8 from Monday's 753.7.

Jakarta awakes with explosion of activity

John Murray Brown on a once-sleepy market hitting highs thanks to foreign interest



Share push: queue in Jakarta for a recent new issue

ONCE dismissed as sleepy or even comatose, Jakarta's tiny stock exchange is currently Asian flavour of the month, reaching new highs as foreign buyers provide much of the push.

For a market which until last October had seen no new listings since 1984, the Bursa Efek Indonesia is now launching a new company every two weeks. The index, which languished around 70 at the start of 1988, last week touched 480, a record level in the exchange's 11-year history.

Market capitalisation, though still small, has increased five times to more than $500m, with brokers setting their sights on $1bn by the end of the year.

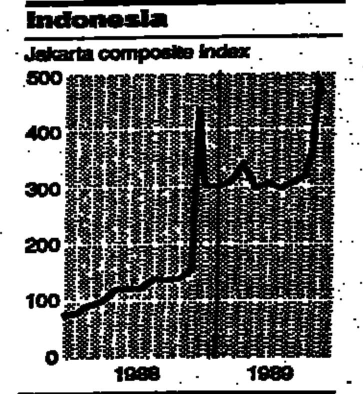
Jakarta was one of the few world markets to record a rise on the day of the crash in October 1987. There used to be some days when no shares changed hands. Even now trading is limited to two hours a day – reduced to one hour so that Moslem brokers can attend Friday prayers.

Today's interest is the result of a liberalisation of trading rules, and a perception that Indonesia's economy, now growing at around 6 per cent a year, can no longer be ignored. The Government has scrapped the 4 per cent daily price swing which used to limit trading. In addition stock dividends now receive similar tax treatment to time deposits at the bank. More important, since December 1987 foreigners have been allowed to buy stock.

At that time only eight shares were open to non-Indonesians, with the majority of the listings being foreign joint ventures, like BAT Industries, Unilever and Goodyear, which already had maximum foreign ownership. Last week however, after some initial confusion, the Finance Ministry announced that foreigners could buy up to 49 per cent of any of the 31 listed companies. The new rules also allow foreigners to buy into retail concerns, currently an area still off-limits to direct foreign investment.

Earlier this year two offshore funds – the Malacca Fund launched by Banque Indosuez and Jardine Fleming's Indonesia Fund – were set up to invest in Indonesian stocks, while a $40m Jakarta Fund, managed by Thornton, began trading in London on August 25 at just over a 40 per cent premium to net asset value.

Indonesia



In August Jardine won the right to a seat on the exchange – the first foreign broking house to do so. The price, $150,000, may well prove a steal. Merrill Lynch, Baring Securities and Bankers Trust are also showing interest.

Much of the recent activity is from Singapore buyers stagging the spate of new issues. PT United Tractors, the latest issue which will be listed on September 19, was 60 times subscribed. United Tractors is a subsidiary of Astra, a widely diversified local Chinese group, one of the string of family businesses looking to the market to raise equity finance to expand product lines in response to the latest export incentives. A company director said he had the "delicate task of arranging share allotment," adding that high priority would be given to small investors.

LAST week trading began in Bakrie & Brothers, another local but non-Chinese concern, involved in steel pipe manufacturing. Even the Liem group, the Jakarta arm of the Hong Kong-based First Pacific company, is said to be looking to float some of its subsidiaries. Liem owes its position as Indonesia's leading company to close ties with President Suharto. A move to list is seen as an insurance policy should the President step down in 1993.

Few foreign brokers are looking that far ahead. For one thing, price earnings ratios are already on multiples of 20 or more. For all the changes, liquidity remains tight. For example, Indosuez says that only 25 per cent of the Malacca Fund will be invested in Indonesia, the remainder in Malaysia and a portion in companies which, while based elsewhere, have their principal operations in those two countries.

ASIA PACIFIC

Profit-taking undermines early Nikkei rally

Tokyo

AN EARLY spurt in Japanese share prices fed hopes of renewed market vigour, but these were quickly dashed as profit-taking undermined most gains and trading activity failed to pick up, *writes Michiyo Nakamoto in Tokyo.*

At first, the rise in share prices appeared to reflect a recovery in confidence stemming from Monday. In fact, said analysts, it was the result of arbitrage trading.

The Nikkei lost its gain of over 100 to a high of 34,635.07 during the day, to close 41.83 down at 34,441.95. The day's low was at 34,338.45. Advances just outnumbered declines by 464 to 443 while 210 issues were unchanged.

Turnover improved moderately to 530m shares from the 437m traded on Monday. The TSE index of all listed shares lost 1.25 to 2,613.34. In London, the ISE/Nikkei 50 index rose 2.82 to 2,052.01.

The combined effects of a weak yen, scant prospects of lower interest rates in the short term, and a lack of market focus brought on by the popularity of index funds kept investors wary. The temptation to take profits was too great in a market which has put in a disappointing performance for most of the summer.

So the gains shown by heavily-capitalised issues on Monday were not extended. Nippon Steel closed unchanged at Y799 after rising Y6 to a high for the day of Y805. Sumitomo Metal, third most active with 10m shares, lost Y8 to Y772. Mitsubishi Heavy Industries retreated from its high of the day of Y1,170, up Y20, to close unchanged at Y1,150.

Even Keisei Electric Railways, popular recently on speculation that an affiliate would soon be listed, suffered profit-taking and lost Y60 to Y2,900. Sansui, an audio company which had risen on talk of a takeover, fell Y18 to Y901 after reaching Y955 during the day.

Rumours surrounding Sansui have triggered speculation in other specialised companies in the overcrowded audio industry, where some restructuring is thought likely to take place in the near future. Kenwood, a specialised audio maker, added Y60 to Y1,120 during the day on rumours that its shares were being bought up by a group of investors. It closed up Y20 at Y1,080.

Elsewhere, Fujiya, one of the big five in Japan's confectionery industry, rose Y160 to Y1,560 as investors considered the charms of its nationwide chainstore network.

Eisai, a pharmaceutical company, surged Y230 to Y2,500 on the strength of its advance into new business areas, such as robots for agricultural use. Eisai topped the most actives list with 16.7m shares.

Sony, seen by many as representative of companies rising on good results, advanced Y150 to Y8,950. It was second on the volumes list with 10.9m shares.

Interest in special situation stocks supported a strong gain in Osaka. The OSE average rose 178.04 to 34,799.48 while volume rose to 75.8m shares from the 53m on Monday.

Roundup

THE BIGGER Asia Pacific markets held out longer than Tokyo, scoring rises across the board.

AUSTRALIA is reaping the rewards of an exceptional company results season; turnover was active again at 129m shares worth A$290m, against 184m and A$290m on Monday. The All Ordinaries index rose 14.1 to 1,778.0, closing just off the post-crash record it set a week earlier.

CRA itself closed another 30 cents higher at A$11.85, anticipating results – a 37 per cent jump in first half net profits, reported after hours. In London, later, it was trading at A$12.05 and would have gone higher but for more trouble at the Bougainville subsidiary.

Bougainville has a huge but politically troubled copper mining operation. In Sydney it ended with a rise of 19 cents to A$2.52 on the resumption of mining in Papua New Guinea, following a four-month closure. However, after shots were fired the mine was closed after less than 12 hours. In London, later, the shares were quoted around A$2.30.

Meanwhile, Bond Corp Holdings resumed its slide, dropping 2 cents to 42 cents on turnover of 3.2m shares.

NEW ZEALAND firmed in line with Australia, but closed off its highs for the day. The Barclays index rose 8.64 to 2,454.96.

HONG KONG continued its upturn as turnover increased from HK$729m to HK$841m, the best in more than two weeks but still light. The Hang Seng index finished 22.16 higher at 2,572.41, helped by continuing rumours about an impending corporate reorganisation at Cheung Kong.

Property shares led the market, with Cheung Kong the most actively traded issue.

SINGAPORE gained further ground, reaching a post-crash high in active trade of 93m shares, down from Monday's 135m. The Straits Times industrial index put on 5.80 to 1,388.08

Among the biggest gains, Straits Steamship added 16 cents to S$3.60 after the sale of the centrally situated Sanford Building to a Japanese buyer for S$109m; the company's property arm had a 50 per cent share in the building.

SOUTH AFRICA

TRADING was quiet and volume low in Johannesburg before today's election. The market was narrowly mixed.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY SEPTEMBER 4 1989						FRIDAY SEPTEMBER 1 1989			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1989 High	1989 Low	Year ago (approx)
Australia (85)	154.24	+0.8	147.15	134.57	+0.8	4.69	152.97	145.70	133.53	157.14	128.28	142.96
Austria (19)	145.70	−0.4	139.00	149.68	−0.1	1.62	146.31	139.36	149.87	150.67	92.84	86.98
Belgium (53)	131.99	−0.2	125.92	134.76	+0.0	4.10	132.32	126.04	134.77	137.97	125.58	112.79
Canada (123)	152.17	+0.1	145.18	130.19	+0.0	3.09	152.04	144.82	130.19	153.59	124.67	118.26
Denmark (36)	194.59	+0.0	185.64	202.99	+0.2	1.55	194.61	185.37	202.55	219.89	165.35	121.35
Finland (26)	131.89	−1.1	125.83	123.70	−0.7	2.22	133.39	127.06	124.60	159.16	125.81	116.21
France (126)	130.28	+1.1	124.30	136.36	+1.2	2.77	128.84	122.72	134.75	133.44	112.57	90.58
West Germany (100)	97.18	+1.1	92.72	99.96	+1.2	2.05	96.10	91.54	98.82	100.53	79.56	75.38
Hong Kong (48)	107.07	+2.0	102.15	107.34	+2.0	5.18	104.96	99.98	105.24	140.33	86.41	102.61
Ireland (17)	153.59	+0.6	146.53	160.36	+0.9	2.77	152.68	145.43	158.94	168.69	125.00	130.21
Italy (97)	94.39	−0.5	90.05	99.89	−0.7	2.25	94.90	90.40	100.57	96.73	74.97	70.04
Japan (455)	179.31	+0.4	171.07	165.37	+0.5	0.48	178.60	170.12	164.60	200.11	164.22	154.66
Malaysia (36)	191.40	+1.9	182.61	198.99	+2.1	2.44	187.76	178.85	194.85	193.38	143.35	139.16
Mexico (13)	292.08	+1.4	278.66	817.84	+1.4	0.62	287.91	274.24	806.18	292.08	153.32	152.17
Netherland (43)	123.83	−0.4	118.14	126.03	−0.3	4.14	124.27	118.37	126.43	130.67	110.63	101.62
New Zealand (20)	88.18	+1.1	84.12	79.08	+1.7	4.37	87.25	83.10	77.74	88.18	62.64	73.25
Norway (24)	183.60	−0.1	175.16	179.24	+0.3	1.45	183.73	175.01	178.62	198.39	139.92	110.43
Singapore (26)	165.52	+0.1	157.91	150.49	+0.3	1.66	165.38	157.53	150.07	170.62	124.57	122.17
South Africa (60)	153.18	+1.6	146.14	135.29	−1.5	4.14	150.75	143.59	137.30	154.97	115.35	105.83
Spain (43)	159.48	+0.7	152.15	149.21	+0.8	3.44	158.37	150.85	147.99	160.94	143.14	139.78
Sweden (35)	179.47	−1.8	171.22	177.14	−1.5	1.94	182.76	174.08	179.85	188.94	138.45	113.13
Switzerland (64)	89.75	+0.3	85.62	95.12	+0.3	1.98	89.50	85.25	94.79	94.16	67.81	75.63
United Kingdom (307)	154.24	+0.4	147.15	147.15	+0.5	3.98	153.69	146.40	146.40	158.41	133.28	123.97
USA (549)	143.84	+0.0	137.23	143.84	+0.0	3.24	143.84	137.01	143.84	143.84	112.13	108.08
Europe (1000)	128.98	+0.4	123.06	128.05	+0.5	3.22	128.48	122.37	127.41	132.62	112.63	101.03
Nordic (121)	165.78	−1.0	158.16	160.50	−0.7	1.77	167.39	159.44	161.58	178.38	137.95	107.99
Pacific Basin (670)	175.77	+0.4	167.69	162.10	+0.5	0.72	174.99	166.68	161.27	194.72	160.44	152.09
Euro−Pacific (1670)	157.19	+0.4	149.96	148.35	+0.5	1.56	156.51	149.08	147.60	166.98	141.56	131.68
North America (672)	144.24	+0.0	137.61	142.98	+0.0	3.23	144.23	137.38	142.98	144.24	112.79	108.61
Europe Ex. UK (693)	112.98	+0.4	107.80	116.26	+0.5	2.64	112.51	107.17	115.70	116.28	96.30	86.71
Pacific Ex. Japan (215)	133.05	+1.1	126.93	120.95	+1.2	4.51	131.55	125.30	119.55	137.65	111.93	121.12
World Ex. US (1866)	157.06	+0.4	149.84	147.85	+0.5	1.63	156.39	148.96	147.16	166.35	141.49	130.98
World Ex. UK (2108)	150.99	+0.3	144.05	146.40	+0.3	1.99	150.57	143.42	145.97	155.66	136.98	121.87
World Ex. So. Af. (2355)	151.25	+0.3	144.30	146.52	+0.3	2.16	150.84	143.67	146.04	155.92	136.67	122.14
World Ex. Japan (1960)	138.29	+0.2	131.94	137.02	+0.2	3.28	138.01	131.45	136.73	138.29	114.51	106.44
The World Index (2415)	151.26	+0.3	144.31	146.44	+0.3	2.17	150.83	143.67	145.98	155.89	136.68	122.04

Latest prices were unavailable for this edition. Belgian prices were unavailable 4/9/89. Markets closed 4/9/89: Canada and USA.
Constituent changes 5/9/89: Deletions: Harpener and Philips Komms. (Germany). Name change: Victoria-Lebens-Versich. to Victoria Hldgs. (Germany).